

The Influence of NGOs on the Strategy Process in Conflict Zones:
An Institutional Theoretical Perspective

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Submitted for the degree of Doctor of Philosophy

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January 2019

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ABSTRACT

The strategy process of a firm has been identified as an important area in the field of strategic management. It has been argued that understanding the process of how strategy is generated and executed is vital for the success of firms; particularly for Multinational Corporations (MNCs) who are expanding into new regions, having to adapt their strategy process to address local demands. This has led to a growing interest on how the strategy process changes within turbulent geographical regions, such as conflict zones. Sharing the same operational region, Non-Governmental Organisations (NGOs) have been recognised as influential institutions but have been rarely considered. Hence, there was a need to understand how firms account for institutional pressures in their strategy process within a conflict context. Drawing on institutional theory, this study explores external organisational influences on firm strategy. This thesis reviews the theoretical concept of legitimacy and power to understand how NGOs can pass the firm legitimacy filter and influence firm strategic decision-making. In connection, it was necessary to comprehend which actors within NGOs possess an influential ability, developing the notion of agency.

To gain a comprehensive perspective of NGO influence on the strategy process, the research design was based on a multilevel method of analysis. Three research questions were aligned with a macro, meso and micro perspective. Empirical data was collected from twenty-one semi-constructed interviews with senior managers in MNCs and NGOs. The context of study was based in the Middle East and North Africa (MENA) economic zone. This thesis provides a contribution to strategy process literature and institutional theory. Firstly, this study extends the strategy process literature to conflict zones providing a contextualised conceptual framework. The main implications recognised were feasibility indicators and an institutional rank of importance. Secondly, theoretical contributions have been made to sources of legitimacy, institutional control and embedded agency. NGOs gain legitimacy from 'institutional value' or 'interception', ultimately enforcing power by 'disturbing the bottom-line'. NGOs would need to impact the firm's financial flow or business operations. Two types of actors within NGOs can influence strategy: a specialist authoritative partner or a prominent micro actor.

ACKNOWLEDGEMENTS

The completion of this doctoral journey was only possible with the support of some key individuals. I would like to first show my love and appreciation to my grandparents. It is because of their hard work and determination, the dream to educate and give the family a head start in life was fulfilled. This attitude as continued onto my parents Jagdish and Hina, whom I am forever indebted to. My parents have created a platform and environment for me to thrive, giving me all the opportunities to continue developing. Their unconditional love, wisdom and care have shaped me for who I am today. I would also like to thank my brother Rishi and sister-in-law Aditi for always being by my side.

Taking on this PhD required endurance, focus, enthusiasm and dynamism to juggle life challenges with a smile. For that I am grateful to my life mentor, Gurudev Sri Sri Ravi Shankar. Gurudev has taught me how to manage my mind and emotions, in turn boosting my energy levels and broadening my vision.

My acknowledgements take me to my primary supervisor, Dr Norin Arshed. I would like to sincerely thank Dr Arshed for providing me this opportunity and supporting me at every step of my PhD. Dr Arshed is one of the greatest academics I have ever come across, bringing a sense of genuineness in her approach to help me improve. I am grateful for her valuable advice, constructive criticism, time, patience and never losing faith. Dr Arshed's guidance has developed my character and quality of work that will stay with me for my future career.

I would like to extend my thanks to my second supervisor Prof. Joseph Byrne, for sharing useful comments on the thesis chapters and providing administrative support. His efforts have contributed to my thesis.

Finally, I would like to thank all the interview candidates for their time and sharing of experiences. Their involvement was essential, developing the conclusion of this thesis.

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CHAPTER 1

INTRODUCTION

1.1 Introduction

Within the strategic management field there has been an increasing interest in the strategy process from academics (Hutzschenreuter and Kleindienst, 2006; Burgelman, Floyd, Laamanen, Mantere, Vaara and Whittington, 2018). Chakravarthy and Doz (1992) highlighted a seminal distinction to research on strategic content, motivated on competitive advantage and positioning, where strategy process insight intends to uncover how strategy is shaped and validated. Studies have built on this understanding, reviewing how strategy is formulated and developed within different contexts and variables (Pettigrew, 1992; Regner, 2003; Mirabeau and Maguire, 2014). Strategy process insights have shown sequential stages along with internal and external factors that can influence strategic decision-making (Van de Ven, 1992; Farjoun, 2002). It can be seen that understanding the strategy process is integral for the performance of a firm (Hart and Banbury, 1994; Wiltbank et al., 2006; Mirabeau and Maguire, 2014). This is evident, particularly for Multinational Corporations (MNCs) who are expanding into new regions addressing global competition (Melin, 1992; Dimitratos et al., 2011) and increased external influences (Vachani, Doh and Teegen, 2009). Subsequently, interest has also grown concerning how MNCs adapt their strategy process in differing contexts (Shepherd and Rudd, 2014).

MNCs operating within turbulent regions have become an emerging area of research, particularly with changes in strategy planning (Oetzel and Getz, 2012; Driffield, Jones and Crotty, 2013). Studies have explored how firms operate within conflict zones, reviewing how firms react to political risk and respond strategically to regional violence (Oetzel and Getz, 2012; Darendeli and Hill, 2016). It is known that the performance of firms is crucial to countries recovering from civil conflict due to their ability to stabilise the local economy, reduce the risk in investment and aid in mediation between parties (Hiatt and Sine, 2014). As Branzei and Abdelnour (2010) state, companies are strategically growing and generating commerce within

developing countries. However, it has been seen that conflict countries lack economic stability and good governance (Kolk and Lenfant, 2012; Dai, Eden and Beamish, 2013). As a result, business strategy has been adapted to operate with political instability and social conflict (Berman, 2000). Consequently, this direction of research extends strategic enquiry to understand how businesses plan for turbulent markets and geographical environments (Grant, 2003; Hiatt and Sine, 2014). The aspect of environmental influences on strategic decision-making therefore needs to be analysed (Delmas and Toffel, 2008) and explored to understand how the strategy process changes within geographical areas of instability.

In stable geographical environments firms have to assess the competitive ability and legitimacy of market and non-market stakeholders (Henisz and Zelner, 2005; Leask and Parker, 2007). A main aspect of strategy is to gain market leadership taking into consideration other competitors and factors that could influence firm decisions (Kornberger and Clegg, 2011). As Foss, Lyngsie and Zahra (2013) highlight, market interests remain the main strategic goal exploiting business opportunity. However, when operating within complex environments, external influences such as civil conflict (Kraemer, Whiteman and Banerjee, 2013) and institutional pressures (Sharma and Henriques, 2005) gain more attention and analysis. With advancements in international business and strategy research, influences that are inflicted upon firm strategy within different geographical regions have been questioned (Schemeil, 2013; Husted, Jamali and Saffar, 2016).

Non-Governmental Organisations (NGOs) have been recognised within business literature as influential institutions (Doh and Teegen, 2002; Kolk and Lenfant, 2012; Hollensbe, Wookey, Hickey and George, 2014). This is due to their ability to act as social regulatory bodies driven by societal welfare. NGOs are trusted by society, in turn establishing the ability to question and regulate other organisations (Hollensbe et al., 2014; Berman et al., 2017). NGOs have been seen to influence firms who share the same operational environment, particularly where there have been contradictions in their objectives (Soule, 2012; Soule, Swaminathan and Tihanyi, 2014). For example addressing unethical business practices in human rights (Kolk, 2015) and corruption (Cuervo-Cazurra, 2016). Hence, firms have become cautious of the social expectations set by NGOs (Teegen, Jonathan and Lisner, 2004). Literature

has recognised that institutions play an influential role in the strategy process (Farjoun, 2002). This has raised questions concerning how firms react to institutional influences within their strategy (Paroutis and Heracleous, 2013).

Business strategy can be influenced from macro, meso and micro levels (Hitt, Beamish, Jackson and Mathieu, 2007; Paroutis and Heracleous, 2013). Particularly in strategy process enquiries, micro influences have resulted in macro level changes (Kouame and Langley, 2018). Hence, to fully comprehend management insight it is important to incorporate a multilevel perspective (Hitt et al., 2007). Use of a multilevel approach can enrich understanding of organisational phenomena (Paruchuri, Perry-Smith, Chattopadhyay and Shaw, 2018). The notion of a macro level is commonly used to describe phenomena at the business level and relationships with the environment (Kouame and Langley, 2018). Accordingly, a macro level perspective entails an investigation into firms and how they formulate strategy within their markets (Hitt et al., 2007). The meso level is placed between a macro and micro perspective, understanding the link between firms and institutional organisations (Jackson and Deeg, 2008). Hence, the meso level of analysis explores external organisations such as NGOs and what impact they could have on firm strategy (Kraemer et al., 2013). Lastly, the micro level investigates the impact of individuals (Tracey, Phillips and Jarvis, 2011). The objective in assessing the micro level phenomena is to understand individual actors within organisations, who become the fundamental agents of change (Battilana, Leca and Boxenbaum, 2009).

1.2 Researching the Strategy Process

Van de Ven's (1992) early suggestions of researching the strategy process highlight the necessity to understand terminology and meaning. This strand of strategic management literature identifies how business strategies are formulated (Chakravarthy and Doz, 1992). Thus, a process describes sequential phases a firm undergoes in establishing a strategic direction (Pettigrew, 1992). Studies have shown how the strategy process has increased in complexity from expanding industries and knowledge sources (Song, Zhao, Arend and Im, 2015). For example, strategy formulation in the technology sector has to take into account rapid market changes

due to continuous research and development (Song et al., 2015). Furthermore, it can be argued that external influences on strategic decision-making have also increased where firms are being held accountable for factors beyond market interests (Shepherd and Rudd, 2014; Stevens, Xie and Peng, 2016). Consequently, Farjoun (2002) describes the strategy process as ‘organic’, being shaped by both internal and external influences. Nevertheless, importance to understand the strategy process is still paramount, being vital to firm success (Lampel et al., 2014). Particularly, understanding the multilevel phenomena of the strategy process has become an emerging topic recognising how micro influences equate to macro outcomes (Kouame and Langley, 2018). To advance strategy process insight, there is a need to extend research into new contexts and understand the individual actor’s influential role in shaping strategic decision-making (Burgelman et al., 2018).

Hutzschenreuter and Kleindienst (2006) argue that strategy process research has evolved into a field of ever increasing concepts and frameworks. However, this can be the nature of strategy when understanding different contexts and external pressures (Sharma and Henriques, 2005). The strategy process model can change when placed within differing institutional environments (Hutzschenreuter and Kleindienst, 2006). Where it is known that firms have to respond to non-market actors such as NGOs (Delmas and Toffel, 2008), the strategy process literature has been vague, particularly with the specifics of NGOs and where they are recognised within the firm’s sequential steps. Thus, strategy process research must establish an understanding and develop a conceptual framework to illustrate such phenomena. Additionally, strategic decision-making within the process is significantly governed by a firm’s operational context (Shepherd and Rudd, 2014). Hence, there is an importance to extend the strategy process literature into understanding institutional influences within a conflict context, which is an unexplored area of research.

1.3 The Context: Conflict Zones

Conflict zones have become an emerging research context in order to understand how businesses can operate within geographically turbulent areas (Driffield et al., 2013; Katsos and Forrer, 2014). Being in a non-stable environment, businesses have

to account for several external factors that could impede financial gain (Maitland and Sammartino, 2015). In conflict zones firms can experience an increase of external organisations attempting to influence strategic decision-making (Flammer, 2013; Kolk, 2015). Being exposed to external pressure and political or civil tension can increase business risk (Dai et al., 2013). Consequently, firms that operate in unstable environments have to adapt their strategy planning to analyse the situation and other players who share the region (Hiatt and Sine, 2014).

To gain more clarity within a conflict context, studies have been conducted on how firms operate in high political risk (Hiatt and Sine, 2014; Maitland and Sammartino, 2015) and areas of terrorism (Branzei and Abdelnour, 2010; Dai, Eden and Beamish, 2017). Driffield et al. (2013) also examine the economic rationale for firms to invest in conflict locations given the increase in strategic complexity. However, knowledge of how firms contextualise their strategy process within these environments is limited (Elbanna and Child, 2007; Jamali and Mirshak, 2010). Particularly from a macro firm level of analysis, it is not clear as to what indicators firms utilise within the strategy process when entering conflict zones.

Within conflict zones, NGOs have attempted to influence firm strategy through both activism (Scherer, Palazzo and Seidl, 2013) and collaborative efforts (Kolk and Lenfant, 2012). Consequently, discussions of corporate social responsibility (CSR) and shared value (Porter and Kramer, 2011; Husted et al., 2016) have entered the conflict context. However, external organisations operate with differing agendas (Werker and Ahmed, 2008). This raises questions concerning how firms incorporate activist and collaborative NGOs within their strategic framework. Furthermore, the literature has shown that NGOs have gained the ability to interfere with strategic decision-making if they disagree with business operations (Claasen and Roloff, 2012; Scherer et al., 2013; Berman et al., 2017); for example, NGOs pressurising oil extractive firms to exit operations due to ecological and community impact arguments (Idemudia, 2010; Kolk and Lenfant, 2012). Due to the increase of external demands, firms have developed a macro legitimacy filter to gauge the importance and urgency to respond (Henisz and Zelner, 2005; Scherer et al., 2013). Therefore, there is importance in understanding how NGOs can influence strategy at a meso level and which individual actors are involved at a micro level of analysis.

Use of a theoretical lens is therefore needed to comprehend organisational influences at multiple levels (Hitt et al., 2007; Bitektine and Haack, 2015).

1.4 An Institutional Theoretical Perspective

Institutions can be recognised as organisational structures that establish rules and norms within an institutional setting (Scott, 2005). Consequently, institutions are known for governing social expectation taking regulative, normative and cognitive approaches (Scott, 1995). The study of institutional theory has process into understanding how social rules are established into society affecting all players that operate in the institutional environment (North, 1991). As institutions act as administrative bodies shaping both informal constrains (traditions, taboo) and formal rules (law) (North, 1991), studies have enquired into the impact of institutions on firm strategy (Peng, 2004; Meyer et al., 2009).

An institutional environment can be interpreted as a setting of rules and regulations which ‘players of the game’, such as firms would have to abide by (Peng, 2003). Thus, institutions can dictate how firms must precede their business operations by enforcing a social expectation (Jia and Mayer, 2017). A common example is a national government who establishes laws by which stakeholders must abide by (Selznick, 1996; Ang, Benischke and Doh, 2015). Institutions have been recognised within the strategic management literature in understanding how the external environment can influence strategic change (Paroutis and Heracleous, 2013). From a theoretical perspective, NGOs can be seen as institutions (Doh and Teegen, 2002; Hollensbe et al., 2014). This is due to their ability to set a social rule in an attempt to enhance social welfare (Zald and Lounsbury, 2010). Recognising the increasing strength of NGOs, firms are becoming more cautious in their strategic actions and selecting their institutional setting (Arregle, Miller, Hitt and Beamish, 2013). Particularly within a conflict context, NGOs have been able to influence firm strategy due to MNCs overseeing social expectations (Doh and Guay, 2006; Desivilya and Yassour-Borochowitz, 2008; Kolk and Lenfant, 2012).

To comprehend organisations' ability to influence other players, a theoretical concept of legitimacy had been established (Suchman, 1995; Deephouse and Suchman, 2008). Legitimacy has become an important concept within institutional theory as it can explain why some external influences dictate strategic change over others (Gifford, Kestler, and Anand, 2010; Oliver, 1991). Legitimacy assesses organisations, forces and actions considering their relevance to an assessor (Suchman, 1995). Accordingly, at a macro level firms have set a legitimacy filter within their strategy process to assess the importance of external demands (Scherer et al., 2013). At a meso level, understanding the typologies and sources of legitimacy can provide further clarity as to how NGOs can influence the strategy process (Bitektine, 2011; Suddaby et al., 2017). If organisations are legitimised from assessors, a question remains as to how power is gained to influence strategic direction (Hudson, Okhuysen and Creed, 2015).

In connection, the notion of power has been commonly associated with organisations becoming legitimised (Hudson et al., 2015). Hence, both legitimacy and power are needed in the phenomena of organisational influence. To understand how organisations can gain power over a firm's underlying principles, the concept of institutional control has been explored (Lawrence, 2008). Such insights have uncovered how organisations can gain management capacity over a firm's strategic direction (Mtar, 2010). Studies have further associated power with key individual actors becoming agents of change (Maclean, Harvey and Kling, 2014; Greve and Zhang, 2017). As a result, institutional insight has extended into understanding which agency (individual actors) possesses legitimacy and power from a micro perspective (Abdelnour, Hasselbladh and Kallinikos, 2017). Hence, to gain a comprehensive perspective of legitimacy, theoretical concepts of power and agency need to be aligned in the same discussion (Lawrence, 2008).

Within a conflict environment, institutional theory can be used to understand the aspects of legitimacy, power and actors in NGOs. Where it is not fully comprehensible how NGOs can influence firm strategy in a conflict context, a multilevel method of analysis can be useful to bridge theory to the business field (Hitt et al., 2007; Kouame and Langley, 2018), particularly where legitimacy needs to be understood from both macro and micro perspectives (Bitektine and Haack,

2015). By understanding NGO influences on the strategy process, it can be possible to address current theoretical limitations in ‘sources of legitimacy’ (Deephouse and Suchman, 2008), ‘institutional control’ (Lawrence, 2008) and ‘embedded agency’ (Abdelnour et al., 2017). Deephouse, Bundy, Suchman and Tost (2017) further state that the institutional narrative can advance by extending key concepts into an empirical setting of natural disasters and epidemics.

1.5 Research Rationale

It has been recognised that research concerning the strategy process can advance by examining the external influence of institutions within conflict zones. Understanding the formulation of strategy is necessary to gauge how businesses operate (Farjoun, 2002), particularly when the geographical context can change strategic decision-making (Nadkarni and Barr, 2008; Shepherd and Rudd, 2014). Thus, a key motivation in this thesis was to understand how the strategy process changes within conflict zones. Furthermore, NGOs have been recognised as influential institutions due to their social objectives (Kolk and Lenfant, 2012). Sharing the same operational environment as MNCs, it is important to understand the link between both organisations particularly where NGOs intend to influence the firm’s strategy process (Vachani et al., 2009). This is due to the evident knowledge of NGOs’ ability to create social change and regulate other players (Husted et al., 2016). NGOs have been recognised as powerful institutions, which needs to be recognised in strategy (Kolk and Lenfant, 2012).

To extend the strategy process and theoretical literature, the aim of the research was to understand how the strategy process is influenced by social institutions within an unstable context. Drawing on institutional theory, this study seeks to understand the influence of NGOs from a multilevel perspective (macro, meso and micro) (Tracey et al., 2011; Kouame and Langley, 2018). To address the overarching research aim, three research questions were formed:

- 1) What indicators are used in the strategy process for firms entering a conflict zone?*

- 2) *How can NGOs as institutions possess legitimacy and power to influence a firm's strategy process in conflict zones?*
- 3) *Which external individual actors are involved in influencing strategic decision-making for a firm in conflict zones?*

Each research question is designed to represent a macro, meso and micro level of analysis. This provides a comprehensive understanding of organisational influence on the strategy process. The first research question is based on understanding the macro firm level changes. Understanding how the strategy process is contextualised provides a platform to understand linkages at lower levels, such as NGO influences and individual actors. The second research question represents a meso level of analysis designed to understand NGO influence; this level of understanding focuses on the theoretical concepts of legitimacy and power. To gain a complete perspective of influencing strategy it is necessary to review individual actors. Therefore, the third research question assesses the micro phenomena developing the theoretical concept of agency.

1.6 Research Approach and Method

An empirical enquiry was conducted using an inductive approach. It was recognised that to draw inferences from business experiences, a qualitative method would be necessary (Tracey et al., 2011). A qualitative research design was important in this study to understand the relationship of MNCs and NGOs from a multilevel perspective. Particularly when attempting to grasp the notion of legitimacy, a qualitative method is necessary to learn from individual judgments (Courpasson, Dany and Clegg, 2012; Stevens et al., 2016).

Twenty-one semi-constructed interviews were conducted with senior managers, of which ten were from MNCs and eleven from NGOs. Interviews were face-to-face with those based in the UK. Telephone or Internet-based communication such as Skype was used for international participants. The context of the study was the Middle East and North Africa (MENA) economic zone. MENA was chosen as an

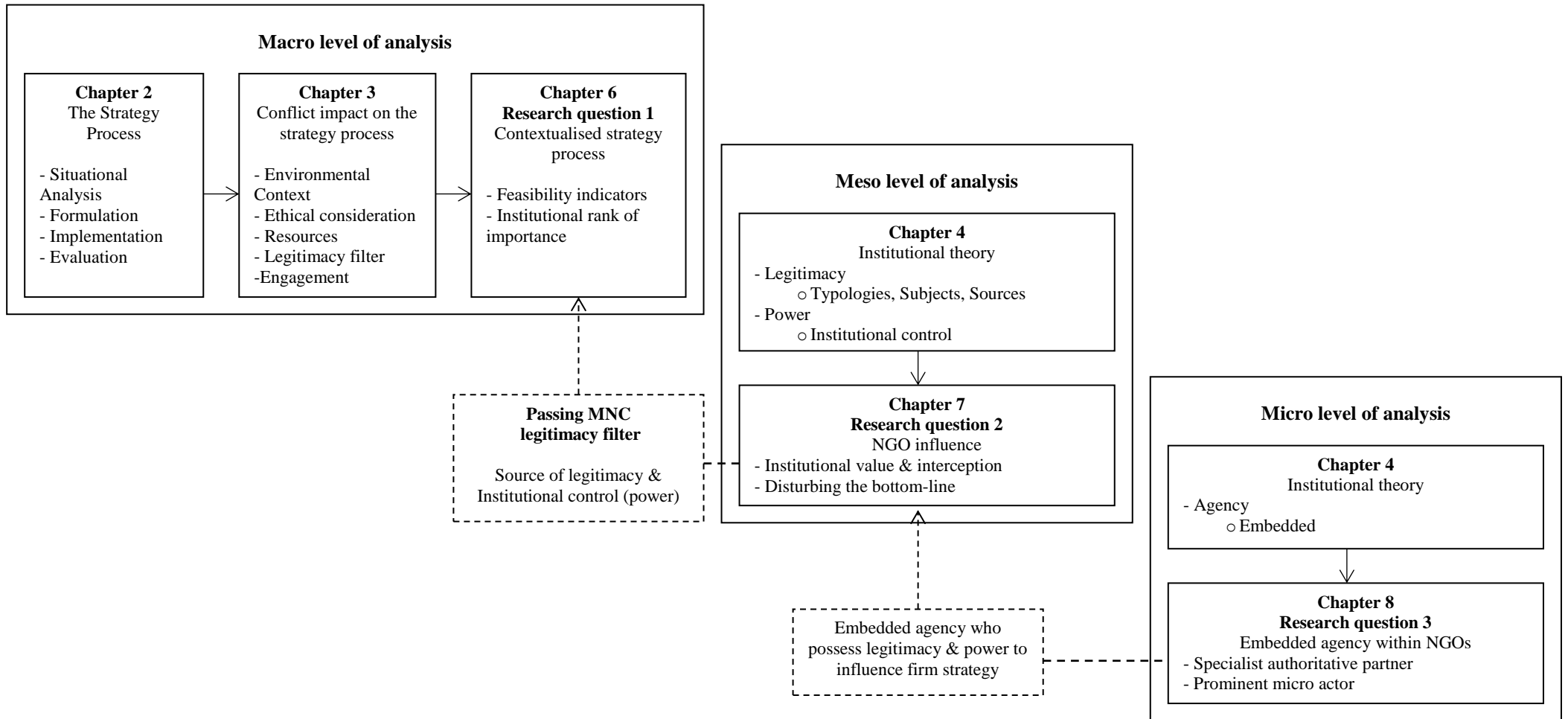
ideal area of study due to both operating a large amount of commerce as well as being exposed to instability through conflict (Bullough, Renko and Myatt, 2014). MENA was also selected due to the high concentration of recent conflict identified by the Council on Foreign Relations (2016), Heidelberg Institute for International Conflict Research (2016) and Nobel Prize (2016).

Building on existing theory requires collected data to be appropriately interpreted and coded (Strauss and Corbin, 1994). To ensure qualitative rigor, data analysis was based on the Gioia method (Gioia, Corley and Hamilton, 2012). As a result, data analysis involved several stages generating first-order categories, second-order themes and aggregate theoretical dimensions. Furthermore, this study ensured ‘qualitative trustworthiness’ through three criteria: credibility, confirmability and transferability (Lincoln and Guba, 1985).

1.7 Overview of Thesis Chapters

This thesis consists of nine chapters in total. Subsequent to this introduction, the structure follows a detailed literature review, methodology and presentation of the findings. The following subsections highlight an overview of each of the remaining chapters. To support an exposition, Figure 1.1 provides a framework to understand the link between the chapters and key concepts. The diagram has segmented the chapters into the three levels of analysis, illustrating where key theoretical concepts are connected. Chapter two begins the research enquiry by establishing a conceptual strategy process framework. The conceptual strategy process framework is further developed through conflict insight (chapter three) and findings from the macro data analysis (chapter six). To gain a clearer understanding of NGO influence on the strategy process, institutional theoretical concepts have been reviewed in chapter four. As seen within Figure 1.1, legitimacy and power has been placed within a meso level of analysis and individual actors (agency) at a micro level of analysis. These three concepts have been further developed in the meso (chapter seven) and micro data analysis and findings (chapter eight).

Figure 1.1: Chapter interlink and key concepts



1.7.1 Chapter 2: Underpinnings of the Business Strategy Process

Chapter two begins the first of three literature review chapters. To understand how external organisations can influence strategy, it is beneficial to start an assessment from a macro perspective. The aim of this chapter is to provide a foundation showcasing key aspects of the business field relevant to this study. The chapter begins by assessing common definitions of business strategy and wider meanings. Subsequently, two categories of business strategy (corporate and competitive) are highlighted selecting which standpoint is relevant to this study. Historical developments of the strategy process are further reviewed, establishing common sequential steps. A conceptual framework has been provided for visual demonstration followed by a description of each step.

1.7.2 Chapter 3: Examining the Impact of Conflict Zones on Business and the Strategy Process

Chapter three introduces the context of this study showcasing different aspects, which businesses take into account when operating within conflict environments. The chapter begins by defining and understanding the different phases of conflict. The literature review progresses to recognise how businesses operate in conflict environments, understanding the rationale to enter such regions and the consequential effect. This chapter builds on the notion of NGO influences sharing the same operational environment. Given the nature of this topic, ethical considerations are inevitably reviewed due to certain industries which have been questioned for malpractice in conflict regions (Lujala, 2010; Land, Loren and Metelmann, 2014). In gaining an overview of business practise in conflict zones, key outcomes are integrated into the strategy process developing the conceptual framework from chapter two.

1.7.3 Chapter 4: An Institutional Theoretical Perspective of NGOs' Influence on Firm Strategy

Chapter four introduced the theoretical lens of the study. This chapter fragments the relevant theoretical concepts, beginning by understanding the meaning of institutions and NGOs. NGOs have been recognised as organisations driven primarily on humanitarian goals rather than commercial objectives (Werker and Ahmed, 2008). Being a main research subject and an influential institution (Doh and Teegen, 2002; Bruton, Ahlstrom and Li, 2010), this chapter aligns theoretical literature with NGOs and the strategy process. Accordingly, this chapter reviews the theoretical concepts of legitimacy, power and agency to support an understanding of organisational influence. Chapter four closes by articulating the limitations of institutional theory.

1.7.4 Chapter 5: Methodology

Chapter five describes the methodological research design used throughout the study. It is important for researchers to recognise their philosophical stance and understand which paradigm to adopt (Mir and Watson, 2000). Hence, this chapter begins by reviewing the research philosophy. In highlighting an appropriate philosophical stance with justification, the chapter processes onto data collection comparing qualitative and quantitative approaches. Subsequently, data analysis is a major aspect to understand the research findings, in turn contributing to literature and theory (Shook et al., 2003; Shah and Corley, 2006). This chapter therefore highlights the method used in the data analysis showcasing Gioia et al.'s (2012) variation of grounded theory. In discussion of data analysis, the macro, meso and micro data structures developed from the empirical study are presented. Chapter five comes to a close describing the ethical considerations and qualitative validity implemented.

1.7.5 Chapter 6: The Strategy Process for Conflict Zones – Macro Data Analysis and Findings

Chapter six begins the first of three data analysis and findings chapters. This study presents its findings and contributions following the macro, meso and micro data structures highlighted in the methodology chapter. Chapter six presents the macro findings as supportive evidence to the data structure. This chapter has been designed to answer the first research question, reviewing the contextual changes to the strategy process when placed within a conflict environment. The macro findings form two aggregate theoretical dimensions: 1) feasibility indicators and 2) an institutional rank of importance.

1.7.6 Chapter 7: NGOs Passing the Firm Legitimacy Filter – Meso Data Analysis and Findings

Chapter seven is designed to answer the second research question from a meso level; the main emphasis being to understand how NGOs could gain legitimacy to pass firm filters and power to influence strategic decision-making. Theoretical constructs become apparent within the participant responses. Themes of how firms gauge external pressure, NGOs' organisational differences and influential channels were formed from participant responses. The chapter further explores how NGOs could gain institutional power. The meso findings form two interlinked aggregate theoretical dimensions: 1) institutional value or interception, and 2) disturbing the bottom-line.

1.7.7 Chapter 8: Embedded Agency who can Influence Strategy – Micro Data Analysis and Findings

Chapter eight focuses on answering the third research question from a micro level. This entails understanding which individual actors within NGOs represent influence and change. Representative data are shown highlighting which individuals MNCs appeal to work with and the necessary characteristics embedded agents within NGOs

require. The micro findings form two aggregate theoretical dimensions: 1) a specialist authoritative partner, and 2) a prominent micro actor.

1.7.8 Chapter 9: Conclusion

Chapter nine is the final chapter of the thesis. This chapter revisits the research rationale, highlighting the key literature and theoretical contributions. An overview of the findings is shown with use of a diagram highlighting the link between the three levels of analysis. Contributions to the strategy process narrative are described followed by contributions to institutional theory. The findings extend insight into the sources of legitimacy, institutional control and embedded agency. This chapter progresses to articulate recommendations for future research and highlights the research limitations. The chapter concludes this thesis with a managerial summary and concluding remarks.

CHAPTER 2

UNDERPINNINGS OF THE BUSINESS STRATEGY PROCESS

2.1 Introduction

Strategy is a key topic throughout the business literature, in particular within the management narrative and business decision-making (Driouchi and Bennett, 2012). Covering major elements from planning to evaluation, business strategy clearly plays an important role in business performance (Leask and Parker, 2007). Lampel et al. (2014) state that strategy in commerce involves making tactical decisions to overcome a variety of business challenges, such as market competition and increasing profits. However, strategy can be subjected to influences from multiple levels (Paroutis and Pettigrew, 2007). It is therefore beneficial to fragment the process of strategy, understanding how strategy is shaped, validated and implemented (Chakravarthy and Doz, 1992). The aim of this chapter is to introduce the concept of the strategy process.

To fully understand the impact of external organisations on strategy, it is beneficial to start an assessment from a macro perspective, setting a platform (Kouame and Langley, 2018). Recognising processes and characteristics of organisations from a wider lens can contribute to linkages at lower level analysis (Kozlowski et al., 2013). For example, understanding firm relationships with institutions at a meso level and individual actors involved at a micro level of analysis (Husted et al., 2016). This chapter begins a literature review by assessing common definitions of business strategy and wider meanings. Subsequently, two categories of business strategy (corporate and competitive) are examined in order to understand which standpoint is relevant to this study. The chapter will progress by comprehending the historical developments of the strategy process. By establishing the commonalities in previous authors' assessments of the strategy process, a conceptual framework is generated relevant to this study.

2.2 Establishing a Modern Definition for Business Strategy

To understand the strategy process, it is important to establish a key definition of the business field as a whole (Chaffee, 1985; Whittington, 2007). Strategy has become ingrained into modern society as it describes the everyday workings of corporations and institutions (Carter, 2013). As Rumelt (2011) claims, strategy is recognising and adhering to companies' strengths to overcome key challenges. The idea of strategy can be rooted back to the formation of war and international relations (Arikan and Shenkar, 2013; Carter, 2013). For example Sun Tzu, a historic Chinese general in 400 BC was known for being a military strategist to conquer his opponents on the battlefield (Mintzberg and Lampel, 1999). Modern strategy has been adapted to enhance commerce in the world of business (Barney, 1991; Carter, 2013). Porter (1996) claims that strategy can be formed for a business by consciously developing a plan to become different from its competition.

A sustainable business has become dependent on how strong a strategy has been formed making it difficult to be imitated by others (Prahalad and Hamel, 1990; Thietart, 2016). Whittington (2011) elaborates stating 'strategic sense' allows key decision-makers to be able to grasp short-term situations and engage operations for tactical long term planning. However, over the years business markets have become more challenging with the advancement of innovation (Dahlander, O'Mahony and Gann, 2014). Strategy, as a result, needs to be consistently developed to address the rise of innovation in practice (MacIntosh and MacLean, 2015). Table 2.1 highlights key developments within the discussions of the definitions of strategy.

Table 2.1: Different perspectives in defining strategy

Author	Key themes in defining strategy
Ansoff (1957), Rumelt (1982)	Core skills, Business growth
Lyles and Mitroff (1980), MacIntosh and MacLean (2015)	Problem framing and problem solving
Sharma and Henriques (2005)	Stakeholder influences
Fink and Kessler (2010)	Environmental resources
Ronda-Pupo and Guerras-Martin, (2012)	Firm, Environment, Action and Resources
Porter and Kramer (2011), Lampel et al., (2014)	Shared value
Song et al., (2015)	Performance vs. Innovation, Market intelligence, Survival

Early discussions within the strategy narrative link business practice as a method to grow an organisation (Ansoff, 1957). The growth strategies suggested by Ansoff (1957) focus on four potential directions: 1) *market penetration*, 2) *market development*, 3) *product enhancement*, and/or 4) *diversification*. Ansoff (1957) suggests that, by taking a strategic direction in business practise, a firm could increase their profits. Therefore, strategy was initially based on businesses expanding the use of their core skills to generate high profit (Rumelt, 1982). The notion of strategic intervention for business growth is argued to still be relevant within modern business culture growing in line with globalisation (Khanna and Palepu, 2000). Khanna and Palepu (2000) demonstrate this through a longitudinal study showcasing how firms increased their profits by entering the same markets overseas. Khanna and Palepu (2000) however could not form a link for firms diversifying into unrelated market and financial performance. This therefore demonstrates a change to how businesses operate within global expansion. As a result, studies have questioned what types of developments have been made in business strategy for firms to adapt when operating in different environments (Ackermann and Eden, 2011).

Prior to understanding business challenges that give importance to the concept of strategy within an organisation, Lyles and Mitroff (1980) raise an important discussion of problem formulation. The authors suggest that understanding the process of how firms become aware of an issue and approach taken is pivotal in generating a strategic solution. Particularly where fundamental questions within strategic management is concerned with how business problems come to the

attention of key managers and how they aim to resolve them (Lyles, 1987). Hence, a central issue in strategy is how firms define the business problem they are faced with, which is necessary to understand the problem-solution process (Lyles and Mitroff, 1980). Lyles and Mitroff (1980: 102) articulate that importance needs to be placed on the “critical first stages of problem solving, that is, the process by which alternative views or definitions of a problem are generated and selected for further consideration in arriving at a formulation of the problem”.

The views of Lyles and Mitroff (1980) are still relevant as highlighted by MacIntosh and MacLean (2015) particularly in the diagnosis of business issues. Where strategy should be established in response to specific circumstances, problem framing is fundamental (MacIntosh and MacLean, 2015). MacIntosh and MacLean (2015) share that different specialists within a firm can diagnose business issues from differing perspectives. For example a fall in market share could be classed as a marketing issue as well as poor logistics, which could have impacted customer experience. Consequently, if a firm were to misdiagnose an issue and implement a strategy that does not address the root cause, not only would the situation remain unchanged but also the firm could experience further dilemmas (MacIntosh and MacLean 2015). Beech and MacIntosh (2012) suggest that organisations approach strategic issues either through open or closed framing. Open framing invites multiple insights to address a broader objective such as a need to regain market leadership (MacIntosh and MacLean, 2015). Taking an open approach allows a space to foster creativity where strategists could approach a scenario from their own experiences and specialisms. Alternatively, a closed framing approach readdresses a previous issue with focusing on a specific variable, for example achieving a certain percentage within a set time scale. As Beech and MacIntosh (2012) suggest, some organisations would be interested to closed framing, helping to stimulate efforts and increase the likelihood of producing a strategic solution. Nonetheless, MacIntosh and Maclean (2015) have articulated that the attention of strategy is based on logic and control-oriented tasks. Hence, the focus is on problem solving rather problem framing. This is particularly the case for firms being exposed to external pressures from stakeholders (Husted, Jamali and Saffar, 2016).

As international business has expanded, firms have recognised an increase in external influences on firm strategy (Doh and Teegen, 2002; Driffield et al., 2013). The rise of external influences in strategic management has raised questions of if and how non-market stakeholders could change strategic direction (Harrison, Bosse and Phillips, 2010), particularly if the impact from a firm's operational environment can affect growth and financial performance (Hart, 1995). Impact can be felt by external influences from other players within the same operational environment, such as governmental bodies or interest groups (Henisz and Zelner, 2005). Sharma and Henriques (2005) contribute suggesting that external interest groups can redefine how industries operate when questioned on how sustainable firm practises are. Their empirical study shows how the external pressure from NGOs influenced business practice particularly when business and social agendas differed. For example, a logging company had to change its operations due to an argument concerning the firm's lack of sustainability in pollution control and damage to the ecosystem. Such studies have questioned the formulation of strategic management incorporating the influence of external institutions (Daniels, Johnson, and De Chernatony, 2002). The literature shows that firms have to select the best strategy, using their resources to respond to external requirements (Berrone et al., 2013).

Prior studies stress that the external influence on a firm's strategic decision-making has increased in recent years (Oetzel et al., 2010; Darendeli and Hill, 2016; Dai et al., 2017). Farjoun (2002) similarly states that business strategy has to co-align with its operational environment to respond to industry developments and influences. As a result, a sense of mutual benefit has to be interpreted by all stakeholders (Hillman and Keim, 2001). Therefore, firms are obligated to incorporate the demands of external stakeholders within strategic decision-making (Delmas and Toffel, 2008; Ackermann and Eden, 2011). However, at times, external demands can hinder business performance, where firms have to develop strategies in how best to respond to them (Nadkarni and Barr, 2008). It has been argued that firms could benefit by creating the value-based strategy in response to stakeholder and environmental demands (Bourne and Jenkins, 2013; Pfitzer, Bockstette and Stamp, 2013). In turn, defining strategy has introduced the notion of firms including shared value.

Shared value can be defined as corporate actions, which are mutually beneficial to all actors that the organisation operates with (Lampel et al., 2014; Porter and Kramer, 2011). It is a relevant concept for business strategy in which corporations are being held accountable for their business actions (Nadkarni and Barr, 2008). Consumers in recent years have questioned the credibility of business actions in society (Eesley and Lenox, 2006). Though firms have attempted to highlight benefits by using their products or services (Prahalad and Hamel, 1990), there has been a demand to demonstrate community value (Hillman and Keim, 2001). For example, companies within the cocoa industry have placed their association with “Fair Trade”, a foundation established to promote fairer pay rates for suppliers in developing nations (Porter and Kramer, 2011).

With the consistent view of businesses excelling at social costs and need for sustainable practices, the concept of shared value has arisen (Campbell, Edgar and Stonehouse, 2011; Dahlander et al., 2014; Sharma and Henriques, 2005). There has been a coherent request for businesses to grow and co-exist with values shared by consumers and institutions. As Porter and Kramer (2011) explain, shared value directs a firm’s operating practices and policies to advanced competitiveness, simultaneously improving social and economic conditions. Indirectly heightening corporate image, this corporate strategy is being adopted by firms satisfying the needs of external stakeholders (Steyn, 2004). However, in some cases the organisational values are still not accepted by individual actors regardless of a firm making a social effort (Bourne and Jenkins, 2013). The organisation and community could differ tremendously, for example within the oil extraction industry due to ethical factors (Bourne and Jenkins, 2013). Hence, how firms incorporate shared value into their strategic decision-making can be context driven, conditional upon the industry and operational environment (Cordeiro and Tewari, 2014). Nevertheless, defining business strategy has evolved to consider a wider audience linked to the performance of the firm (Porter and Kramer, 2011).

Whittington (2011) and Rumelt (2011) both reiterate that defining strategy has become more diverse and complicated. It can still be argued that the aim of strategy is to gain a return on investment. However, the means to do so have also increased (Foss, Lyngsie, and Zahra, 2013). The argument lies with how strategy can be

formed to encapsulate all factors of commerce, especially when operating within geographical areas of instability. Firms, especially in conditions of uncertainty can gain sustainable advantage through liaising with external organisations (Hillman and Keim, 2001; Pitelis, 2009; Oetzel and Getz, 2012).

Contributing to these insights, Fink and Kessler (2010) assert that internationalisation of business culture has become dominant with the expansion of resources and necessity of knowledge to innovate. Hence, a modern definition of strategy must include the ability to use ‘environmental resources’ with ‘market intelligence’ (Song et al., 2015). Ronda-Pupo and Guerras-Martin's (2012) review of the evolution of defining strategy highlights similar views. Terms such as ‘firm’, ‘environment’, ‘action’ and ‘resources’ remain the essence of strategy. Considering these global advancements, a relevant definition of what strategy has become for the 21st century can be “the dynamics of the firm’s relation with its environment for which the necessary actions are taken to achieve its goals and/or to increase performance by means of the rational use of resources” (Ronda-Pupo and Guerras-Martin, 2012: 182).

To summarise, the definition of business strategy has progressed to recognising that performance is connected to a firm’s relationship with its environment (Ronda-Pupo and Guerras-Martin, 2012). As external influences have increased for firms shaping their business strategy (Berrone et al., 2013), firms have to use their resources innovatively in line with values shared by stakeholders (Oetzel et al., 2010; Porter and Kramer, 2011). Values could be from national government bodies or special interest groups. Recognising that strategy has become complex raises the importance to analyse external influences on the strategy process (Farjoun, 2002). However, prior to examining processes, to gain further clarity it is necessary to distinguish the level of strategy that needs to be assessed. The next section will present the different levels of business strategy.

2.3 Distinguishing Between Two Levels of Business Strategy

Strategy has developed into an understanding of where the leaders of an organisation cultivate a plan to sustain firm performance for the future (Carter, 2013; Mintzberg and Waters, 1985). In most cases, a business can adopt different strategies to reach their organisational goals. Johnson et al. (2008) categorise two main levels of strategy, competitive and corporate.

Firstly, strategy at a competitive level dictates how a firm attempts to promote their products and services to overcome competitors (Johnson, Scholes and Whittington, 2008). These could be in the form of adjusting pricing or distribution channels (Johnson, Scholes and Whittington, 2008). Prahalad and Hamel (1990) state that root competitiveness is based upon a firm's ability to utilise its core competencies to the best of its abilities. Providing an example of the Japanese automotive manufacturing firm, Honda was able to break into the western market by coordinating skill and integrating technology at a reduced cost (Prahalad and Hamel, 1990). Foss et al. (2013) conversely argue that competitive strategy has become more advanced in recent years. Firms are required to gain external sources of knowledge to overcome competition and exploit new opportunities (Foss et al., 2013). For example, the IT firm IBM chose a competitive strategy to partner with specialist knowledge-based companies (Baldwin, Siobhan, and Quinn, 2003). In doing so they were able to secure unique patents giving them competitive advantage. The necessity for external knowledge is due to increasingly crowded markets and the faster pace of innovation to enhance products (Dahlander et al., 2014).

These examples display some insight into what would be expected of modern day firms to survive within already developed markets. The functional aspects of competitive strategy can digress into product positioning dynamics (Henderson, 1970; Mintzberg and Lampel, 1999; Porter, 1980; Semadeni, 2006) and reviewing market structures (Alcacer and Chung, 2014; Barney, 1986; Pitelis, 2009). This level of strategy however is predominantly based on company products in line with competing firms and market trends (Campbell-Hunt, 2000; Greve, 2000). From an organisational evaluation, studies have shown external influences targeting the

corporate level of strategy in a firm (Harrison, Bosse, and Phillips, 2010; Henisz, Dorobantu, and Nartey, 2014).

Secondly, corporate strategy concentrates on the wider objectives of the organisation (Jensen and Zajac, 2004). Corporate strategy is linked to fulfilling opportunity such as geographical movements (e.g., entering new countries, manufacturing plant, office space), diversification into new industries and understanding the expectations of shareholders (Johnson et al., 2008). This level of strategy is directed by senior executives and CEOs with an objective to advance the strategic direction of the firm (Westphal and Fredrickson, 2001; Jensen and Zajac, 2004).

Decision-making in corporate strategy has historically focused on the internal organisational structure (Fredrickson, 1986). This structure would entail how the organisation would construct itself based on departments and operational levels (Fredrickson, 1986). Studies on organisational structures have assessed successful performance, authority (Dimitratos et al., 2011) and capabilities (Wilden et al., 2013). Van de Ven's (1976) earlier work also reviewed three key dimensions of organisational structure; 1) *centralisation*, 2) *formalisation* and 3) *complexity*. *Centralisation* referred to the degree of decision-making, where firm change is directed by key individuals (Fredrickson, 1986). A high level of centralisation however places substantial cognitive demands on firm executives to make the correct decisions (Mintzberg, 1979). In contrast, *formalisation* would shift the direction of corporate strategy through procedures, amongst a variety of members each owning tasks (Papadakis, Lioukas and Chambers, 1998). The third suggested organisational structure refers to *complexity*. Firms that possess multiple layers of management and geographical locations would become complex in directing strategic decisions within corporate strategy (Paroutis and Pettigrew, 2007). These seminal insights into business organisational structures have shown that external influences with an aim to change strategic decision-making would occur at the corporate level, particularly, where corporate strategy has progressed in international commercial venturing (Melin, 1992).

Prior research suggests that a focal point for corporate strategy is to move into new markets, diversifying a firm (Hotho, Lyles, and Easterby-Smith, 2015). Kirsch,

Goldfarb and Gera (2009) argue that decision-makers often have to quickly make decisions with limited information to hand due to the speed of the industry. Conversely, this statement is based on the assumption that corporations are working within stable and safe markets. When an organisation considers a move into uncertain territories, a different strategy would need to be utilised (Oetzel and Getz, 2012). Planning to enter an environment prone to instability, the strategic decision-making process could differ (Hiatt and Sine, 2014). Hiatt and Sine (2014) support this view through their study on new venture survival in Colombia, South America. Due to the national government's failure to ensure public safety and maintain order, entrepreneurs operating in this region have been challenged with political and civil violence (Hiatt and Sine, 2014). The results show that though firms were not direct targets of violence, unstable environments affected the flow of resources from suppliers to customers. In turn, the planning stages in strategy needed to be comprehensive yet equally adaptive. Additionally, as firms are expanding their geographical reach, institutions such as NGOs have questioned the integrity of firm practices (Henisz and Zelner, 2005). Teegen et al. (2004: 466) define NGOs as "private, not-for-profit organizations that aim to serve particular societal interests by focusing advocacy and/or operational efforts on social, political and economic goals, including equity, education, health, environmental protection and human rights". This definition aligns with common themes of NGOs operating for a social cause (Doh and Guay, 2006) and value creation within an environment (Berrone et al., 2013; Dahan et al., 2010). Where both organisational values could contradict, NGOs would attempt to influence a change of corporate strategy (Eesley and Lenox, 2006).

It is clear that to understand how strategy changes due to environmental factors, further investigation is needed at the corporate level (Henisz, Dorobantu and Nartey, 2014; Hiatt and Sine, 2014). Moreover, it has been seen that external organisational demands are placed on the firm's relationships with its environment (Delmas and Toffel, 2008). Thus, how institutions are accounted for within strategic plans can only be understood from the corporate rather than competitive perspective (Guler, 2007), particularly where firms are expanding into new territories (Davies and Walters, 2004). As well as market conditions, firms can face pressure from institutions such as NGOs, regulatory bodies and local community groups (Delmas and Toffel, 2008). In these conditions, decision-makers have to choose which

direction would best assist the company with fewest unintended consequences for their strategic plan (Driouchi and Bennett, 2012).

To summarise, strategy can be viewed from both competitive and corporate levels. To understand the geographical impact (Henisz et al., 2014; Hiatt and Sine, 2014) and external influences (Delmas and Toffel, 2008) concerning the strategy process, a study has to focus on the corporate level of strategy. From this standpoint an investigation can be made on a firm's strategic decision and organisational change (Papadakis and Barwise, 2002). A competitive strategy standpoint would be irrelevant being concerned predominantly with market interests (Campbell-Hunt, 2000). In distinguishing the two major levels of strategy, this review can continue to fragment the meaning of the strategy process.

2.4 Understanding the Fundamentals of the Strategy Process

To understand organisational influence on strategy it is fundamental to begin by examining firm-level processes from a macro perspective. Van de Ven (1992) describes the study of strategic processes as an examination of how strategies are formed and implemented. A 'process' can be applied when referring to category and concepts or regarding a sequence of events which could change over time (Van de Ven, 1992). With regard to generating corporate strategy, the term 'process' is used to identify the steps and procedures that are taken.

The strategy process is seen to be integral for the performance of a firm, holding the content and execution of strategy (Pettigrew, 1992; Kouame and Langley, 2018). This has been evident especially in multinational corporations (MNCs) when developing synergies between their departments and various business units (Paroutis and Pettigrew, 2007). Paroutis and Pettigrew (2007) highlight through their longitudinal study within the energy industry, that the strategy process is a key area to face global competition. Managing directors and CEOs worked with strategy teams to formulate plans of direction to overcome industry challenges. Furthermore, it has been well established that understanding the strategy process can make a positive difference for firms operating in environments of uncertainty (Hart and

Banbury, 1994; Dimitratos et al., 2011; Maitland and Sammartino, 2015). The employees internal to the firm would however need to be considered when examining the degree of strategic implementation (Lê and Jarzabkowski, 2015). Hence, studies have also demonstrated the importance of examining the strategy process to assess how strategy is formed and which actors can influence change in operations (Courpasson, Dany, and Clegg, 2012; Herrmann and Nadkarni, 2014). By examining the strategy process at the firm level, it is possible to recognise organisational influences that operate at the meso level and which individuals are involved at a micro level of analysis.

Different empirical studies and reviews have contributed to how the process is formulated (Hart, 1992; Farjoun, 2002; Hutzschenreuter and Kleindienst, 2006). Though process models have some interrelationship, each company will build their own unique process in practice which can differ throughout industry (George and Bock, 2011). As Hutzschenreuter and Kleindienst (2006) elaborate, strategy process research has evolved into an ever-increasing field of concepts and frameworks, each focusing on different levels. Nevertheless, it can be beneficial to grasp the fundamentals of how relevant authors have contributed to the field. Establishing commonalities from previous models will aid creation of a conceptual framework, identifying how decision-making and influences are interpreted. Table 2.2 shows a comparison between previous strategy process models, each suggesting key steps within the process and provide some description to the external environment.

Table 2.2: Comparing strategy process models

Author	Theoretical lens	Main attributes of process model	Explanation	Sources
Andrews (1987)	Corporate Strategy	<p>Formulation</p> <ul style="list-style-type: none"> - Identifying opportunity and risk - Necessary resources - Non-economic responsibility to society <p>Implementation</p> <ul style="list-style-type: none"> - Organisational structure and relationship - Organisational processes - Top leadership 	<p>A prescriptive model showing corporate strategy based on two key steps; formulation and implementation. It begins by assessing environmental opportunities/risk and weighting the companies' resources to fulfil any gap. Society needs are also considered within the planning stages.</p> <p>This model shows strategic decision-making predominantly by top leadership and their personal values. Thus, authors have built on this to recognise other internal actors whom contribute to strategy. The model also questions whether strategy process models should be normative (how things should be done) or descriptive (how things are done).</p>	<p>Huff and Reger, (1987)</p> <p>Hart, (1992, 1995)</p> <p>Wiltbank et al., (2006)</p> <p>Nadkarni and Barr, (2008)</p>
Ansoff and McDonnell (1990)	<p>Applied Theory of Strategic Behaviour</p> <p>Economic Theory</p> <p>Systems Theory</p>	<p>Surveillance</p> <ul style="list-style-type: none"> - External and internal trends <p>Degree of urgency</p> <ul style="list-style-type: none"> - Monitor / Issue project <p>Periodic planning</p>	<p>This model introduces the importance of both internal and external analysis. Based on these finding, the process then goes on to question the degree of urgency and firm capability to pursue any opportunity. Ansoff and McDonnell (1990) also emphasise the importance of monitoring the opportunity before committing resources as well as thorough planning. This would include reviewing strategies, introducing the notion of restructuring based on environmental changes.</p> <p>Subsequent authors have gained understanding on building planning stages from feedback and real-time market response. Furthermore, this model leads direction on how firms can gain profit in turbulent environments. This introduces a scale to turbulence, affecting speed of change and predictability.</p>	<p>Ansoff and Sullivan, (1993)</p> <p>Aragón-Correa and Rubio, (2007)</p> <p>Galbreath, (2010)</p> <p>Moussetis, (2011)</p>

Table 2.2 continued				
Author	Theoretical lens	Main attributes of process model	Explanation	Sources
Digman (1990)	Organisation Theory	<p>Why</p> <ul style="list-style-type: none"> - Mission/ goal objectives <p>What</p> <ul style="list-style-type: none"> - Situational analysis: Environmental opportunity or threats <p>How</p> <ul style="list-style-type: none"> - Strategy formulation - Strategy implementation - Strategic control <p>Guidelines</p> <ul style="list-style-type: none"> - Policies and procedures 	<p>Digman's (1990) approach to the strategy process is based on the company's main goal. In knowing this, the strategy formation is highly informed by situational analysis of both the environment and organisational resources. This model has included the concept that strategy has to follow guidelines based on policies and procedures.</p> <p>This model allows the consideration to identify stakeholder expectations and values. Where previous models have been business centric, this process integrates stakeholder concerns beyond customers. More recent cited studies have also recognised that strategic formulation requires sense making and the importance for employees to understand reasoning.</p>	<p>Steyn, (2004)</p> <p>Eppler and Platts, (2009)</p>
Chakravarthy and Doz (1992)	<p>Classical Decision Theory</p> <p>Behavioural Theory</p> <p>Agency Theory</p>	<p>Unit of analysis</p> <ul style="list-style-type: none"> - Environmental content (markets, society) - Firm - Individual (inside and outside firm) <p>Assumption about decision-making</p> <ul style="list-style-type: none"> - Rational - Bounded rational - Extra rational <p>Strategy process</p> <ul style="list-style-type: none"> - Business policy & planning - Institutional economics - Organisational theory 	<p>Chakravarthy and Doz's (1992) seminal paper on strategy process research provides an initial concept of disciplines involved. The authors share a matrix of which the axes have been titled 'unit of analysis' and 'assumptions about decision-making'. Each formed box shows the basis of disciplines where organisational behaviour is taken into account for strategy formation.</p> <p>This concept has suggested that strategic content is formed in-between a firm and their environmental content. Adjacent to this is the strategy process where a firm meets at the point of bounded rationality. It has been recognised that within this early insight, institutions have been referred to along with the social environment. Thus, the strategic plan has taken into account non-market variables.</p>	<p>Stacey, (1995)</p> <p>Dean and Sharfman, (1996)</p> <p>Floyd and Lane, (2000)</p> <p>Burgelman et al. (2018)</p>

Table 2.2 continued				
Author	Theoretical lens	Main attributes of process model	Explanation	Sources
Wheelen and Hunger, (1992, 2012)	Strategic Choice Theory Organisational Learning Theory	Environmental scanning <ul style="list-style-type: none"> - External: societal/ task - Internal: structure/culture/resources Strategy formation <ul style="list-style-type: none"> - Mission, objective, strategic, policies Strategy implementation <ul style="list-style-type: none"> - Programmes, budgets, procedures Evaluation and control <ul style="list-style-type: none"> - Performance 	A sequential approach beginning with a thorough scanning of both the internal and external environment. The process considers the task required as well as the societal setting. This model incorporates the organisational culture, which previous models have lacked. An evaluation of the strategy performance links the process into a cycle. This model demonstrates the importance of planning for firm performance. Furthermore, this model assists the recognition of failure due to not using a formal strategic planning process. Subsequent studies endorse this process identifying a need to track performance to improve corporate strategy and aid innovation.	Greenley and Foxall, (1996) Terziovski, (2010)
Farjoun (2002)	OESP Model Organic Model Organisation Theory	Strategy formation <ul style="list-style-type: none"> - Firm organisation: internal forces and influences, resources, social structures, technology - Firm environment: external forces and influences, actors, relationships Strategy realisation/implementation <ul style="list-style-type: none"> - Managing real-time, complementing, refining, securing & sequencing strategy - Emergent strategy Firm performance <ul style="list-style-type: none"> - Quality of short and long term co-alignment - Review of firm environment and firm organisation 	Farjoun's (2002) model contributes to strategy process research by highlighting the organic growth of strategy. This process recognises that strategy can be influenced by both internal and external forces. From an organisational level, strategy can be realised and consistently refined from real time knowledge. This could be from markets or particular actors. This process incorporates previous models by adding a review of firm performance at the end. This process refers to when the changing the behaviour of strategic leaders can organically form strategy. Additionally it notes that feedback has shifted the formation of strategy.	Branzei, Ursacki-Bryant, Vertinsky and Zhang, (2004) Hutzschenreuter and Kleindienst, (2006) Mirabeau and Maguire, (2014)

Table 2.2 continued				
Author	Theoretical lens	Main attributes of process model	Explanation	Sources
Hiller and Hambrick (2005)	Core Self-Evaluation Behavioral Modeling Theory	Executive core self-evaluation Strategic processes <ul style="list-style-type: none"> - Non-comprehensive decision making - Fast decision-making - Centralised decision-making Strategic choices <ul style="list-style-type: none"> - Large stakes - Deriving from industry norms - CEO initiated Organisational performance	Different to the common strategic processes Hiller and Hambrick (2005) address this narrative from an individual level. The process begins by evaluating the strategic decision-marker's personality. The choice of strategic action is, therefore, governed by the individual cognitive function. Studies have recognised this insight by identifying the CEO influence on strategy. Hubris or over confidence has been the topic of discussion that could negatively influence strategy. Conversely, from an optimistic viewpoint an individual's personality can shape the behaviour of a strategic team leading to successful organisational performance.	Resick, Whitman, Weingarden and Hiller, (2009) Hmieleski and Baron, (2009)
Hutzschenreuter and Kleindienst (2006)	Organisation Theory	Antecedents <ul style="list-style-type: none"> - Environmental context - Strategic context - Static/dynamic organisational characteristics - Performance Strategy process <ul style="list-style-type: none"> - Strategists static characteristic (formulation) - Strategists personal cognitive (implementation) Outcome <ul style="list-style-type: none"> - Environmental context - Strategic context - Performance 	In reviewing pervious strategic processes Hutzschenreuter and Kleindienst (2006) form an integrative model. This model includes contextual planning as well as reviewing performance at the beginning and end of the process. The model positions the technical aspects of strategy making into formulation. However, the authors argue that the implementation is shaped through personal cognitive decisions. More recent studies utilise this process model in confirming environment hostility can affect decision-making. Dynamic environments also encourage competitive aggressiveness. Where this model recognises both internal and external actors can shape strategy, authors also question which actors are involved within the emergent of new strategy. This argument continues a micro perspective investigation of decision-making within the strategic process narrative.	Mitchell, Shepherd and Sharfman, (2011) Mirabeau and Maguire, (2014) Burgelman et al., (2018)

Table 2.2 continued				
Author	Theoretical lens	Main attributes of process model	Explanation	Sources
Chia and Holt (2006, 2009)	Heideggerian Perspective Complexity Theory Social Theory	Non-deliberate actions Human agency Dwelling mode Wayfinding	Chia and Holt's (2006, 2009) approach to strategy making argue that formulation is derived from actors' cultural relationship in practice. Hence where previous interpretations of the strategy process have presented goal-oriented frameworks of which firms aspire to follow, the human dynamic also needs to be accounted for. The authors argue those human agencies that deliberately engage in purposeful strategic activities possess a 'dwelling' mode in which strategy emerges non-deliberately through everyday 'practical coping'. This suggests that strategy making is beyond predicted conceptual plans but rather shaped through past experiences and daily engagement, which forms unintentional strategic direction. Taking a rational perspective of humans' engagement in worldly activities, the authors suggest that strategy, rather a form of navigation, is considered as a process of 'wayfinding'. This implies that strategic direction is driven from iterative action and continuous adjustments, not predetermined agendas.	Jarzabkowski and Paul Spee, (2009) MacIntosh and MacLean, (2015)
Stacey (1995, 2011)	Complexity Theory	Nonlinear and network feedback systems System dynamics: Positive and negative feedback	Stacey (1995, 2011) provided an early review of Chakravarthy and Doz's (1992) strategy process model, critiquing from the science of complexity. Based on the understanding that organisations are feedback systems from the interactions between human agency, organisations experience feedback loops which are nonlinear. Thus, the strategy process has to incorporate the experience and actions of actors which could be a continuous learning experience. As a result, strategy making is as much of 'trial and error' as well as predetermined planning. The author suggests that the strategy process cannot be fully rational modes of strategy making due to limits in informational processing and cognitive frameworks restricting managers. A micro perspective also highlights emotions and politics impacting strategy.	Hutzschenreuter and Kleindienst, (2006)

Table 2.2 continued				
Author	Theoretical lens	Main attributes of process model	Explanation	Sources
MacIntosh and MacLean (2015)	Complexity Theory	<p>Rational plans and creative development of human engagement</p> <p>Rules of thumb</p> <p>Carefully crafted plan</p> <p>Reality</p> <p>Experimentation and improvisation</p> <p>Sense Making</p>	<p>MacIntosh and MacLean (2015) have provided a comprehensive explanation of ‘the strategy cycle’. The strategy cycle highlights a production of rational plans but also has incorporated the dynamic of individual actors involved within strategy making. For example, within strategic plans, strategists may need to engage in informed improvisation when reality of a situation has not been shown as predicted. The authors share that strategists build a story from sense making in order to craft a plan. Those who formulate the strategy cycle also refer to the ‘rules of thumb’, a method of guiding decisions based on an understanding of the industry and rules of the game. Strategists can strengthen their plans by identifying and reframing the rules of thumb, gained through feedback.</p> <p>The authors’ share that planning should be based on establishing principles which underpin improvisation rather a production of detailed scripts. These principles can be generated from conversations, forming and updating the rules of thumb. However, there is a complexity to conversations due to the nature of human minds, where conversations may not fully reflect day-to-day life. Hence, there is a sensitive period where carefully crafted plans meet reality. Mismatch then leads to improvisation and experimentation from strategists, in turn reinforcing a new rule of thumb.</p>	MacLean and MacIntosh (2015)

Table 2.2 demonstrates the key attributes seen in the strategy process put forth by numerous studies. Each process model contributes to the field of study by recognising an additional section or reviewing strategy from a different perspective. Andrews' (1987) early insight, for example, takes into account social considerations within the formulation of strategy, though these considerations are embedded as an addition, focusing primarily on a firm's ability to utilise resources for market gain. Ansoff and McDonnell's (1990) model highlights the importance of an environmental analysis within the strategy process. The analysis on the environment was market-based suggesting that firms need to gauge how fast industry is changing with regards to production and creativities. By conducting an analysis, firms would be able to match their capabilities to respond to the change (Ansoff and McDonnell, 1990). These findings are still seen to be relevant in modern strategy as it has inspired thinking for firms' capability to respond to non-market stakeholders and external demands (Galbreath, 2010; Moussetis, 2011). Aragón-Correa and Rubio (2007) recognise the notion of environmental analysis with their study of the food industry. A firm's strategy process needs to formulate a comprehensive plan for external stakeholder pressure because firms cannot immediately respond to the external demands due to an increase in expense. Within the environmental analysis¹, the importance of planning and reviewing firm performance is a common theme throughout the process models. This is because one aspect of business failure is due to not using formal strategic planning processes (Terziovski, 2010).

Other process models highlight the micro level. The micro level of analysis examines the impact of individual actors within organisations, such as management control figures (Thomas and Ambrosini, 2015). For example, Digman's (1990) model highlights that all employees need to work towards the organisational goal. Particularly within the strategy process, managers have the responsibility to engage and motivate employees to reach this organisational goal for a successful corporate strategy (Eppler and Platts, 2009). A study within an automobile components manufacturer showed that sharing the strategy chart with the operational team allowed for strategic sense-making and motivated the staff to discuss their views (Eppler and Platts, 2009). Alternatively, Hiller and Hambrick (2005) suggest

¹ Environmental analysis refers to the factors linked with the operational geographical area and institutional setting, not ecology.

‘executive core self-evaluation’ within their process model. This entails that the personality of decision-makers would influence how the strategy is formulated. Due to this, decision-making would be *centralised*, referring to the internal organisational structure reviewed earlier. Studies have built on Hiller and Hambrick's (2005) process model recognising how excessive confidence in decision-makers’ personalities can negatively influence firm performance (Resick et al., 2009).

In similar discussions, whether strategy is *deliberate* or *realised* is a continuous debate in literature (Thomas and Ambrosini, 2015; Thietart, 2016; Burgelman et al., 2018). A concept established by Mintzberg and Waters (1985) questions if strategy is formed internally or arises naturally by experienced trade in practise. Farjoun's (2002) model incorporates these debates by recognising the organic nature of strategy formation. Relating to the context of this research, Farjoun (2002) shows that strategy is formed by real-time information and refined by forces both internal and external. Farjoun's (2002) model, therefore accounts for external forces to influence strategy within its process. However, Farjoun's (2002) model fails to justify how external forces can enter strategic decision-making discussions. Drori and Honig's (2013) study on legitimacy within firms shows that external influences must align with firm values to be recognised as a legitimate source. The study recognises this process of legitimisation as a cognitive filter. Accordingly, the process of legitimatisation has not been represented within the strategy process model, to question if the external force holds any legitimacy or power to influence strategic decision-making, particularly where influence can occur over multiple levels (Tracey et al., 2011); hence, the effect of the institutional environment needs to be recognised within the process models (Chakravarthy and Doz, 1992). Viewing the strategy process from an institutional perspective would allow for concepts such as legitimacy and power to be recognised (Peng et al., 2009).

Hutzschenreuter and Kleindienst (2006) provide an integrative process combining the key attributes noted from previous studies. The main elements are segmented into antecedents, strategy process and outcome. Where Hutzschenreuter and Kleindienst (2006) have provided some reference to the micro level complexity of the strategy process, the subsequent three perspectives seen in Table 2.2 emphasise on this notion. Chia and Holt (2006, 2009) have highlighted that strategy making can

not be based fully on predetermined plans due to human actors engaged in directing strategy. The authors suggest that ‘building strategy’ is where strategists construct a representation of the world without any practical engagement. Rather in reality, strategic actors engage in ‘dwelling’ where by local adaptations are formed in ‘practical coping’. The term practical copying suggests that micro-strategizing happens on an everyday basis, representing the true nature of the strategy process. The actors engaged in strategic decision-making would also therefore be aware of the limits in pragmatic engagement.

In similar nature, Stacey (2011) informs the strategy process narrative through a complexity theoretical lens. This is based on the notion that organisations are feedback systems, where by strategy making is derived from interactions between human actors and subsequent feedback to the firm. Therefore, a firm would experience feedback loops where actors engaged in strategy making would share their continuous experiences. Stacey (2011) suggests that the strategy process is formed by ‘trial and error’ rather than predetermined planning. Building further on the micro complexity of actors engaged in strategy making, emotions and firm politics could also be unexpectedly tied into the process. This would make the strategy process nonlinear.

Taking a combined approach, MacIntosh and MacLean (2015) have incorporated the arguments of complexity in human agency within their presentation of ‘the strategy cycle’. The authors have argued that strategy is a combination of rational plans as well as the dynamic of strategists engaged in making them. Strategists build carefully crafted plans from conversations and sense making. However, rather following a predetermined course of direction, actors who engage in conversations are continuously developing their ‘rule of thumb’; a shorthand guided decision based on their understanding of how the industry and game operate. Hence, strategy making is a continuous set of identifying and reframing the rules of thumb gained through feedback. At times, the complex nature of conversations does not match reality misinforming carefully crafted plans. Consequently, strategists would engage in informed improvisation and experimentations. The authors also note that the diagnosis of a business challenge is based on problem framing, increasing complexity in crafting a strategic direction (MacLean and MacIntosh, 2015).

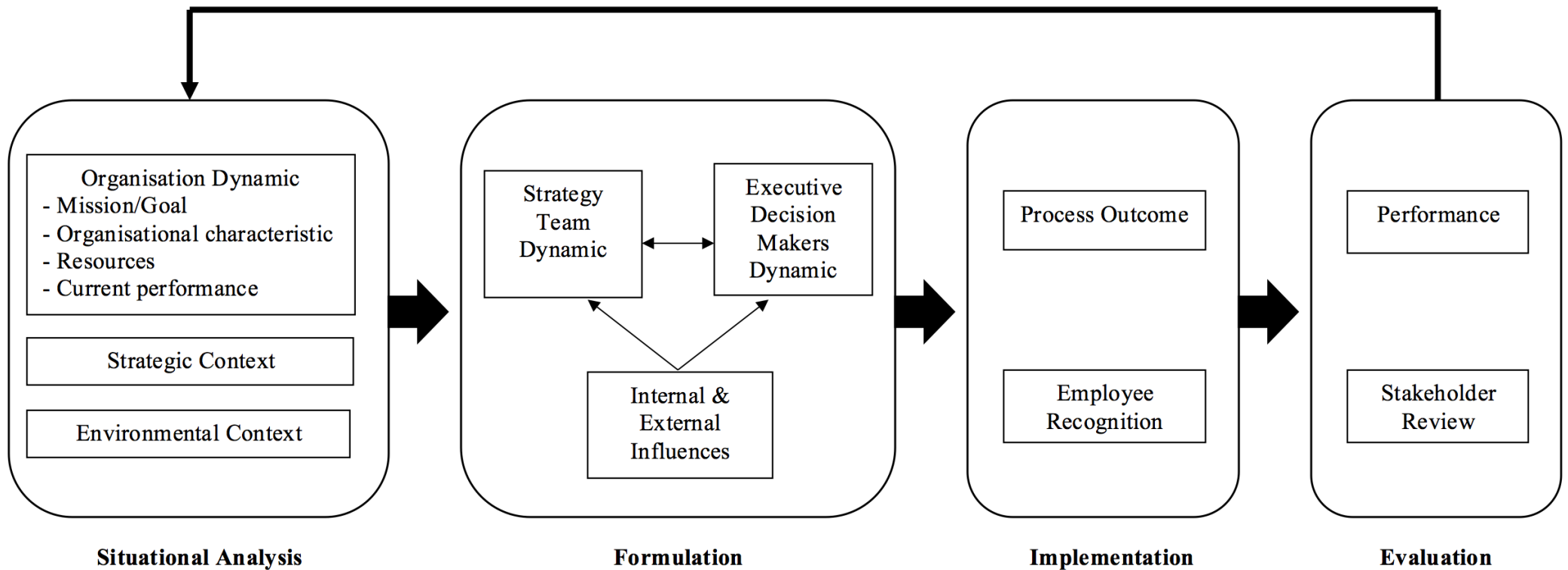
The reviews of the strategy process contributions in Table 2.2 have shown importance towards understanding business challenges. Particularly where strategy is aimed to solve a particular issue or area of growth, which a firm wants to achieve (Farjoun, 2002). However, in formulating a strategic solution to business challenges in the early stages of the strategy process, Hutzschenreuter and Kleindienst (2006) suggest that the effectiveness of implementation has been largely overlooked. The question of separating formulation and implementation can be concerned with how change is managed and whether the key organisational members involved in strategy take part (Hutzschenreuter and Kleindienst, 2006). MacIntosh and MacLean (2015: 118) have articulated that within the strategy cycle “traditional distinction between formulation and implementation is much less meaningful since each is an aspect of the same cycle of conversation and action”. Thus, as there is no formal handover process between formulation and implementation, the most important strategic decision lies on who participates in strategic decision making (MacIntosh and MacLean, 2015). Similarly, Farjoun (2002) illustrates that both internal and external members can influence the strategy process. Hence, importance also needs to be placed on external forces, such as social institutions that play a role in influencing strategic direction (Delmas and Toffel, 2008).

Strategy research varies depending on the level of analysis from organisational to individual members (MacLean and MacIntosh, 2015). This can be seen in Table 2.2 from how each author has theorised their arguments. To define and contribute to the strategy process narrative, a subsequent empirical study would need showcase what theoretical lens and context the arguments are being placed. Where the aim of this study is to understand how the strategy process is influenced by social institutions within an unstable context, an appropriate theoretical lens would be needed. An appropriate theoretical perspective would support an understanding of where conflict zones and social institutions are accounted for within the strategy process and how external actors can enter strategic discussions.

In recognising steps along with other common themes, a conceptual strategy process framework has been produced, as seen in Figure 2.1. This model provides a general overview of each step of the strategy process; particularly identifying which part of

the process is subjected to external influences being a key area of investigation. Each step shown within the sequence is further explained.

Figure 2.1: Conceptual strategy process framework



2.4.1 Step one - Situational analysis

The first step of the strategy process is to conduct an overall analysis of the situation. Wheelen and Hunger (2012) describe this as an overview to assess the current internal and external conditions before any further strategic plans can be assessed. It can be argued that this is a vital aspect as it allows a firm to recognise their current performance and identify resources needed to reach their organisational goals (Farjoun, 2002). Thus, one component of the situational analysis is recognising a firm's internal *organisation dynamic*. Beginning the analysis on the organisation itself would entail an assessment of firm goals and what resources are available to use for strategic changes on a corporate level (Papadakis, Lioukas, and Chambers, 1998). The internal analysis, in turn would further enquire if the current firm performance is achieving the organisational goals (Chakravarthy and Doz, 1992; Elbanna and Child, 2007). Consequently, it has been argued that firms should review their internal characteristics, assessing if their organisational structure and arranged teams are working efficiently (Fredrickson, 1986; Paroutis and Heracleous, 2013). The situational analysis would then be able to progress onto analysing the firm's *strategic context*. Steyn (2004) describes this component as a firm choosing their strategic intervention from a corporate level such as mergers and acquisitions, strategic alliances or joint ventures. The strategic context would also review if a firm would decide to enter a new market or geographical location (Melin, 1992; Terziovski, 2010). Additionally, as articulated by MacIntosh and MacLean (2015) the complexity of problem framing would need to be taken into consideration when attempting to solve a business challenge. Within the diagnosis, how firms perceive an issue and which actors are involved can impact the success rate of strategic intervention (MacIntosh and MacLean, 2015). Firms would need to take into consideration whether to employ an open or closed framing approach to diagnosis (Beech and MacIntosh, 2012).

In understanding the *organisational dynamic* and *strategic context*, a firm would also attempt to understand their *environmental context* within this step of the strategy process (Hutzschenreuter and Kleindienst, 2006). Reviewing the environmental context assesses potential regions where a firm could operate, in turn influencing

strategic action (Nadkarni and Barr, 2008). Based on a subjective projection of the operational environment rather than completely understanding the situation could affect managers' ability to respond effectively (Nadkarni and Barr, 2008). The environmental context has been recognised as a necessary area for further contextual investigation due to the impact it can have on the strategy process (Arregle et al., 2013; Kouame and Langley, 2018), particularly if firms intend to operate within turbulent geographic regions (Dai et al., 2013).

Business management literature has provided some insight into how firms respond in geographical areas of instability (Dai et al., 2013; Driffield et al., 2013). Understanding how firms plan their strategy in conflict territories has shown a degree of strategic complication (Grant, 2003). As well as facing competition and economic changes, a firm could be subjected to political or social forces (Herrmann and Nadkarni, 2014). Thus, firms are exposed to both market and non-market external influences within the strategic process. Herrmann and Nadkarni (2014) explain that senior management within a firm have to consider all pressures within the environmental context. An adaptive strategy would allow a firm to respond appropriately to all forces (Herrmann and Nadkarni, 2014). Hence, there is a necessity to contextualise the strategy process to gain further clarity (Balogun et al., 2014), predominantly where the environmental context is a major influencer on other functions such as how strategy is formulated and evaluated (Shepherd and Rudd, 2014).

Welter (2011) highlights that a contextualised perspective can provide greater understanding in phenomena. Illustrating contexts can be relevant particularly when examining the impact of an institutional setting (Welter, 2011) and geographical regions (Arregle et al., 2013). Nonetheless, there appears to be a limitation towards a comprehensive integration of these insights to the strategy process narrative. To fully understand NGO influence in conflict zones, it is necessary to first gauge a macro perspective of how the strategy process changes in these regions and where institutions are placed within the strategy process. Successfully, organisational relationships at a meso level and actors at a micro level can be approached (Tracey et al., 2011). These levels are fundamental to be assessed particularly within the

Formulation and Evaluation step of the strategy process, being exposed to external influences.

2.4.2 Step two – Formulation

The formulation of strategy can be defined as choosing a strategic outcome and establishing a plan of how a firm can direct strategic change (Farjoun, 2002). Whittington and Cailluet (2008) review insight from established author Mintzberg (1987) to identify where strategy has progressed. The planning of strategy within organisations has been interpreted as a ‘craft’ whereby the process is formed through experiences (Mintzberg, 1987; Bhidé, 1994). As a result, teams engage themselves beyond the common forms of strategic reporting, such as workshops and field visits (Whittington and Cailluet, 2008). Literature has shown that the formulation of strategy is shaped by three assemblies: the *Strategy Team Dynamic* (Samra-Fredericks, 2003), the *Executive Decision-Makers’ Dynamic* (Westphal and Fredrickson, 2001) and *Internal and External influences* (Floyd and Lane, 2000; Nadkarni and Barr, 2008).

Strategy teams are generally small and flexible, holding responsibility which spans across the firm (Paroutis and Pettigrew, 2007). These strategy teams work as support functions for higher management, involving and interlinking themselves in adaptive activities with other departments (Paroutis and Pettigrew, 2007). This central form of strategy making was also expressed in previous studies showing continuity of practice (Burgelman, 1983; Regner, 2003). Formerly, it was recognised that a board of directors and a CEO would be instrumental in leading these strategy teams (Carter, 2013; Fredrickson, 1986; Herrmann and Nadkarni, 2014). However, with the growth of internationalisation increasing the scale of MNCs, Breene, Nunes, and Shill (2007) show that many organisations have delegated a chief strategy officer (CSO) who reports directly to the CEO. A CSO’s foremost objective is to establish strategic plans to position a firm competitively in continuously changing environments (Chatterjee, 2014). They could represent change agents and internal consultants specialised in an area which the CEO could rely upon to overcome challengers (Powell and Angwin, 2012).

Planning is an important aspect of the strategy process especially for firms that operate in areas of uncertainty (Grant, 2003). Dependent upon the environmental context, the uncertainty could be linked to economic and political changes (Branzei and Abdelnour, 2010; Hiatt and Sine, 2014). As a result, strategy teams and senior executives would benefit from a particular design specific to their organisations. For example, a banking firm such as Royal Bank of Scotland would strategically act differently when facing an unstable economy (Namaki, 2014) compared to the oil and gas firm British Petroleum, planning to operate in turbulent environments (Grant, 2003). Hence, a contextual application is needed for executive decision-makers to plan (Cordeiro and Tewari, 2014).

The CEO and board of directors represent the executive decision-makers (Kirsch, Goldfarb and Gera, 2009; Kleinbaum and Stuart, 2014). Though it is evident that senior management holds the responsibility for firm strategic movements, a debate exists of whom fundamentally directs change. With many large firms governed by a board of directors, studies have questioned whether the elected CEO's industry experience can over-succeed compared to that of a collective board (Westphal and Fredrickson, 2001). Westphal and Fredrickson's (2001) study shows that the board possess a strong influence on strategic formation; however, individualism of directors could be seen in determining a direction. Consequently, between strategy teams and senior management, it can be difficult to generalise actual influence on strategy due to each firm customising internal operations. The degree of internal decision-making could also change for firms functioning within different contexts which could require experience, such as enterprise within conflict zones (Dabic, González-Loureiro, and Furrer, 2014; Jamali and Mirshak, 2010). To fully understand company resources and capacity highlights the importance of a thorough *Situational Analysis* prior to moving to the *Formulation* stage in the strategy process (Figure 2.1). It has been seen that learning about the strategic and environmental context is essential in this formulation stage (Hutzschenreuter and Kleindienst, 2006).

In similar discussion, the study of Courpasson et al. (2012) shows how formulation of strategy could be complex due to conflicting individual ideologies. With many

organisations making strategic decisions from top hierarchy of management (Hart, 1992; Herrmann and Nadkarni, 2014;) there can be resistance to change (Jarzabkowski and Kalpan, 2015). The resistance is seen to influence planning in a progressive manner observing a temporary reversal of decisive power. This raises the concept of co-creation in strategy highlighting one area of complexity within the strategy process. Nevertheless, Pitelis (2009) describes this resistance element as beneficial for firms as it promotes innovation and value with how organisations operate. Hence, from one angle resistances can be seen as productive within the strategy process. Conversely, there can also be a counter-effective aspect.

In comparison, Eisenhardt and Bourgeois's (1988) earlier review underlined an interesting analysis of internal organisational behaviour effecting strategic management. It was demonstrated that firm politics would also govern strategic decisions. Actions such as withholding information and forming internal coalitions existed with senior management. Within Eisenhardt and Bourgeois's study, it was seen that political incentives arose by secondary executives when decisive power was centralised. In comparison to the study of Courpasson et al. (2012), this form of indirect conflict within a firm illustrates the differences of productivity when several actors are included in the strategy process. The opposing difference identified with Eisenhardt and Bourgeois's (1988) study showed that firm politics had a decreasing effect on performance, indicating a negative side of resistance. The dynamics of this phenomenon are demonstrated in Figure 2.1 showing the two-way link between the *Strategy Team Dynamic* and the *Executive Decision-Makers' Dynamic*. The represented link between these two strategy-forming assemblies indicates co-creation, complexity from resistance to change and internal politics.

In a more recent study, Mueller et al. (2013) raise the same notions of politics and power pertinent to strategic decision-making. Researching strategy-as-practice (SAP) has seen political actions between the strategy-forming team and company executives. The phenomenon of informal firm politics has been anticipated in the strategy process for modern business operation (Farjoun, 2002). Individuals can interpret executives overexerting power differently. For example, certain decisions could be seen to promote personal agendas or protect an executive's position of power (Mueller et al., 2013). As a result, making sense within an organisation can be

difficult. Strategic decision-making can become disordered in the early stages of the process due to the high stakes involved, particularly when coalitions are created and information is distorted or manipulated (Lampel et al., 2014). Lampel et al. (2014) express that this type of internal competitive nature can lead to inefficiencies, which highlight the necessity to diffuse firm politics immediately. Some techniques expressed include a balance of power for specific roles and sharing a common goal. These examples demonstrate how the micro level phenomenon of individual actors can be recognised within the overarching macro strategy process of a firm. Recognising the complexities between senior individuals internal to the firm reinforces how the dynamic of strategy formulation has changed over time. Nonetheless, the commonality between studies shows these universal links of how strategic decision-making is formulated (Hutzschenreuter and Kleindienst, 2006).

As seen in Figure 2.1, internal and external forces can influence strategy teams and company executives, further contributing to the formation of strategy. To gain a greater insight of who influences strategy and to understand their motives, this review has created two categories, internal and external.

2.4.3 Step two – Formulation: Internal influences

Within a firm the CEO, board of directors and senior management all possess the responsibility to direct the organisation (Eisenhardt and Bourgeois, 1988; Westphal and Fredrickson, 2001). Johnson et al. (2008) show that these roles require them to establish a financially viable corporate strategy determining the direction a firm can take. Being a crucial aspect to business growth, a CEO's judgement could positively or negatively impact a firm (Papadakis and Barwise, 2002). This highlights the importance for management to execute streamlined strategic decision-making (Bromiley and Rau, 2015). Namaki (2014) provides the example of the technology firm, Hewlett Packard, having faced several challenges in competition but successfully overcoming them through well-planned mergers and acquisitions. Carter (2013) refers to the same company finding that strategic leadership had come from the past three CEOs being central to the strategy-making process. Hence, it is

clear that senior management require proficient business acumen to direct corporate strategy (Covin and Miles, 2007).

If the competitive strategy were in line with the corporate strategy, an organisation could expand its operations (Johnson et al., 2008; Dabic et al., 2014). To reach this position however, a firm must incorporate and synergise the differing views of middle managers that could influence strategic direction (Ahearne, Lam and Karaus, 2014). As seen earlier in the literature review, employees resisting certain planned strategies can force senior management to rethink their strategic direction (Courpasson et al., 2012). Employee resistance can encourage progressive thought within a firm which could lead to innovation (Courpasson et al., 2012) or increase inefficiencies with teams (Lampel et al., 2014). Therefore, from this perspective, how middle management react could be resourceful or a strain on the strategy process and strategic change (Floyd and Lane, 2000).

The study of Ahearne et al. (2014) demonstrates the impact of middle managers on firm strategy. It was seen that individual actors have different influences based upon how other employees regarded them within the firm and how much 'social capital' they possess. The social capital within a business context refers to an individual's social network and reputation (Ahearne et al., 2014). As a result, social networks within the firm can determine whether change could be made within strategy (Kleinbaum and Stuart, 2014). It was seen that middle management who possess high social capital based on reputation could influence above their position (Ahearne et al., 2014). This was different from those who possessed informational social capital impacting performance below their position. This finding reinforced Pappas and Wooldridge's (2007) previous study on middle management's ability to influence based upon their business networks. Nonetheless, internal firm politics based on social structures can influence strategic decision-making, making it difficult to generalise organisational traits across all sectors (Mueller et al., 2013).

In similar discussions, firms selecting their operational environment can be complicated if the internal members are dismissive (Jarzabkowski, Le and Van de Ven, 2013). Paroutis and Heracleous (2013) emphasise that adapting a firm's strategy from a senior management perspective alone can be problematic, whereby

internal workers must also accept a strategic change. A strategic change must be accepted from a micro perspective ensuring firm action can be implemented at team and individual levels, particularly when firms analyse their environmental context. There is a need to understand the characteristics of the external environment to ensure there is no resistances from internal employees which could affect firm performance (Shepherd and Rudd, 2014).

2.4.4 Step two – Formulation: External influences

Most companies worldwide are influenced by external forces that can govern many aspects of their operation (Hart, 1995; Porter, 1996). From a macroeconomic level, a firm would be subjected to the PESTEL analysis model (Political, Economic, Social, Technological, Environmental and Legal) which can influence their strategy process (Eden and Ackermann, 2004). As Freeman (2010) describes, especially through globalisation and interconnectivity, firms have to consider the wider aspect beyond their internal means.

Though incorporated within a firm's planned strategy, any one of the PESTEL forces can change the course of strategic direction due to the power they hold (Henisz and Zelner, 2005; Jensen and Sandstrom, 2011). Google's experience provides a useful illustration of this when attempting to expand into China (Stevens, Xie and Peng, 2016). Due to the country being highly regulated in both social activity and online occupation, Google had to negotiate for many years with the Chinese government to launch within their online environment (Stevens et al., 2016). Even though corporate agreements were made, Google had further difficulties due to constant governmental intervention for further censorship (Stevens et al., 2016). Governments holding strong bargaining power where regulation is high can influence firms into unintended directions, placing a strain in resources and performance (Lampel et al., 2014).

The external environment of a firm can be a key determinant on strategy and performance (Farjoun, 2002). In many cases the operational environment can be a business risk when linked to political influences (Hiatt and Sine, 2014). Thus, both

these aspects can be decisive factors within the strategy process. The complexity, again however would fall under a case-by-case analysis. There is a need to understand the environmental context to comprehend which external influences could enter the strategy-making discussions (Nadkarni and Barr, 2008). Firms operating within high-risk, unstable environments have to make strategic decisions on how to respond to certain organisational threats (Oetzel and Getz, 2012). Though there appears to be an academic gap to explain why businesses address environmental conflict differently, Oetzel and Getz (2012) reassert that it would be in a firm's interests to solve conflict due to the risk of losing high financial investment.

Soule et al. (2014) provide an example of an external influence on strategy, where many firms were limited in expanding their operations into Burma due to global trading sanctions. Trading sanctions was due to the country violating human rights. Eventually, when sanctions were lifted and many companies allocated foreign direct investment into Burma such as PepsiCo, they were faced with external pressure from interest groups (Soule et al., 2014). PepsiCo had to end its joint venture with a local company having been linked to inhumane repression towards an opposing political party and corruption (Soule et al., 2014). Furthermore, PepsiCo also faced criticism from human rights activists across the globe for partnering with actors of unethical practice (Soule et al., 2014). The pressure from external interest groups therefore impacted the firm's strategic plans, influencing them to divest their interests. This example introduces the importance of understanding the relationship between firms and external organisations, operating at the meso level of analysis. External influences from interest groups could be detrimental to the firm's financial performance and brand image. Consequently, it can be argued that it would be beneficial for firms to work with NGOs, incorporating their resources into the strategy process (Kolk and Lenfant, 2012; Teegen et al., 2012).

The literature illustrates how enterprises can be resilient in areas of geographic instability (Branzei and Abdelnour, 2010). Environments characterised by political and civil violence can be difficult to predict due to being unstable (Hiatt and Sine, 2014) As a result, firms can gain support in facing such situations by seeking consultancy and gaining complementary skills from governmental bodies or NGOs

(Oetzel et al., 2010; Porter and Kramer, 2011). From a meso level of analysis, firms can actively seek external guidance to form strategy (Foss et al., 2013). Foss et al. (2013) describe these as external knowledge sources such as consultants, public R&D centres and conferences. It can be common for firms to use these sources to gain industry insight seeking an opportunity to exploit (Foss et al., 2013). Utilising strategy consultants can aid businesses to branch into new markets due to being specialised in particular industry knowledge (Kornberger and Clegg, 2011; Regner, 2003).

Studies have highlighted institutions that could influence firm strategy (Ackermann and Eden, 2011). Government bodies, as expressed by Stevens et al. (2016), can be an influential political institution especially when operating within areas of economic and political instability. Governing bodies, however also depend on businesses being crucial players to stabilise the local economy and reduce risk in investment (Abadie and Gardeazabal, 2003; Hiatt and Sine, 2014). Therefore, there can be a fluctuation in power dynamics. Additionally, NGOs have been recognised as an influential institution (Kraemer et al., 2013; Hollensbe et al., 2014). Doh and Teegen (2002) state that NGOs, as institutions, act as social regulatory bodies governing the social norms of an area. Being transnational institutions, NGOs can operate within more than one geographical location (Hudson, 2001), particularly when their organisational goals are to govern international business practices (Den Hond, De Bakker and Doh, 2015) or in humanitarian aid (Pache and Santos, 2010). It has therefore been argued that NGOs have gained power to challenge other players within a field due to their international reach (Dahan et al., 2010).

NGOs could be positive for a firm demonstrating shared value or seeking consultation when operating in adverse conditions (Getz and Oetzel, 2009; Porter and Kramer, 2011). Conversely, NGOs with conflicting interests against a firm's corporate strategy could interfere with operations due to ethical arguments as seen within the forestry industry (Kraemer et al., 2013) or raw mineral extraction (Eesley and Lenox, 2006). These notions raise the argument within the meso analysis of how NGOs possess legitimacy and power to influence the strategic decision of a firm. This further goes to question, which individual actors within NGOs can join the complex discussion between members of the strategy forming team and companies'

executives. Thus, clarity is also needed at a micro level phenomenon to understand individual actors within NGOs. An institutional perspective would be able to provide theoretical insight into these functions (Suddaby, Bitektine and Haack, 2017).

Another external influence on strategic decision-making is the customers who have been pivotal within strategy design (Hillman and Keim, 2001). Customers can shape a firm's strategy based on product and service interests (Skaggs and Youndt, 2004). Barney (1986) suggests that customers' expectations of product value can be enough to influence which strategy a firm decides to implement. In more recent discussions, it can be seen that consumer trends towards ethical business practice have also forced companies to reassess their supplier sources and produce ethical certifications (Aragón-Correa and Rubio, 2007; Wheelen and Hunger, 2012).

Furthermore, given the nature of this thesis, other external factors which can influence strategy can be linked to the reasons of geographical conflict within a turbulent environment (Dai et al., 2013). These could range from civil and political violence (Hiatt and Sine, 2014), terrorism (Henisz, Mansfield and Von Glinow, 2010) or international disputes (Henisz and Zelner, 2005). Findings have shown that environmental hostility can lead to an erratic change in strategic decisions and in some cases lead to business failure (Mitchell et al., 2011). For example, fast food franchise McDonalds saw a fall in firm performance during the conflict in Lebanon resulting in permanent closure of many branches (Jamali and Mirshak, 2010).

2.4.5 Step three – Implementation

The implementation of strategy plays a crucial factor for firm performance and strategic success (Kleinbaum and Stuart, 2014). As Lee and Puranam (2015) recognise, this step of the strategy process alone can be a separate field of study due to a need for strategic precision in competing markets. Additionally, as also recognised, internal firm dynamics can further complicate strategic implementation from disagreements (Lê and Jarzabkowski, 2015). Nevertheless, the *process outcome* seen in Figure 2.1 determines how formulated strategy in the previous process step is executed. Wheelen and Hunger (2012) state that the implementation of strategy

undertakes particular activities needed to execute a plan. Moreover, Barney (1986) highlights that a firm's ability to manage financial resources well would contribute to successful strategic implementation. This contemplation further highlights the importance of the *Situational Analysis* and *Formulation* stages. The method firms use within the process outcome can be linked to the environmental context (Lee and Puranam, 2015). Hence, examining the process outcome is restricted without application to a situation or scenario (Shepherd and Rudd, 2014).

Moving forward within the implementation stage, the literature has shown *employee recognition* as an influential aspect of strategy (Wilden et al., 2013). As seen in Figure 2.1, employees of the firm acknowledge the strategic intervention at this phase of the strategy process. Herrmann and Nadkarni (2014) suggest that employees of a firm can decide at this stage whether they accept the chosen strategic intervention. Accepting or rejecting the strategic decision can affect the company's performance (Herrmann and Nadkarni, 2014). As a result, firms attempt to understand how their employees respond to strategic decisions by measuring internal satisfaction levels (Mirabeau and Maguire, 2014). Additionally, understanding satisfaction levels can be important for employee retention, particularly where many MNCs invest in training their staff (Iriyama, Kishore and Talukdar, 2016). As recognised earlier, resistance to change could recreate tension within the organisation costing resources and manager's time (Floyd and Lane, 2000). Hence, *employee recognition* needs to be represented within the strategy process.

2.4.6 Step four – Evaluation and the emergent process

Evaluation is the process where firms review the results of their strategic movements (Hutzschenreuter and Kleindienst, 2006). This is a necessary step within the strategy process to ensure the intended outcome was met (Hart, 1992). It also allows the firm to consistently monitor and readjust their corporate strategy in line with market and environmental changes (Laureiro-Martinez, Brusoni, Canessa and Zollo, 2015). It has been noted that firms can improve their corporate strategy by evaluating their performance after strategic implementation (Thomas and Ambrosini, 2015). The *performance* sub section within evaluation allows a firm to refine their strategic

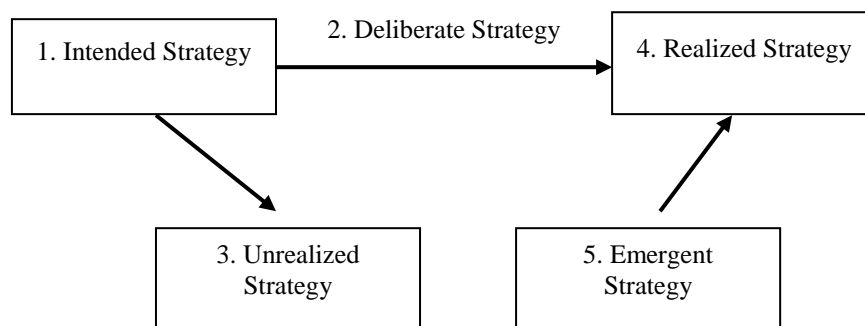
context, adhering to useful feedback (Dimitratos, Petrou, Plakoyiannaki and Johnson, 2011). Performance evaluations are conducted in two main areas, organisational activities and resources (Farjoun, 2002). Evaluating the organisational activities assesses if the strategic outcome meets the firm goals (Farjoun, 2002). These findings are connected with an evaluation of firm resources, conducting an analysis on finances (Song et al., 2015) and personnel (Elbanna and Child, 2007; Nadkarni and Barr, 2008). Eppler and Platts (2009) suggest that these forms of evaluations are conducted by compiling strategic charts. Strategy charting can allow evaluators to understand the change of firm performances based on a series of implemented events (Eppler and Platts, 2009). Firms can compare their performance with previous strategic movements, examining the impact of operating in new institutional settings and market environments (Davies and Walters, 2004). Following strategic implementation, firms will also be subjected to the views of external stakeholders (Stevens et al., 2016). This has been represented within the *Evaluation* step as *stakeholder review*.

Stakeholders are “any group or individual who can affect or is affected by the achievement of an organization’s objectives” (Freeman, 1984: 46). Key stakeholders within the strategy evaluation phase are competitors, consumers (Greenley and Foxall, 1996; Mirabeau and Maguire, 2014), government, local community and special interest groups (Wiltbank et al., 2006; Delmas and Toffel, 2008). Prior studies show that the influence of non-market stakeholders on the firm’s strategic direction has increased in more recent years (Oetzel et al., 2010; Porter and Kramer, 2011; Sharma and Henriques, 2005); for example, the increase in environmental regulation from traditional stakeholders such as governing bodies and the local community (Hillman and Keim, 2001). Firms must comply with environmental standards in order to avoid facing legal action or penalties (Sarkis, Gonzalez-Torre and Adenso-Diaz, 2010). Furthermore, social representation from NGOs can mobilise public opinion, forming expectations on how businesses should operate (Sarkis et al., 2010). As a result, NGO stakeholders could enhance or decrease firm reputation on reviewing their strategic implementation (Freeman and Mc Vea, 2001; Aragón-Correa and Rubio, 2007). The NGO’s ability to question firm practices further highlights the need to understand how firms account for such pressure within the meso level of analysis. As seen in the conceptual framework (Figure 2.1) both

evaluating strategy *performance* and *stakeholder review* are linked back to the first step of the strategy process, contributing knowledge for the strategy to be enhanced. These assessments and progression can be interpreted as the ‘emergent process’ or similarly, as organic growth (Farjoun, 2002; Paroutis and Pettigrew, 2007; Thomas and Ambrosini, 2015).

The emergent process was a concept presented by Mintzberg and Waters (1978, 1985) suggesting that strategy formation is derived from both *deliberate* and *emergent strategies* (Figure 2.2). It is a concept which supports a link of the *evaluation* step back to the first *situation analysis* step, restarting the strategy cycle (Farjoun, 2002). Deliberate strategies are specific movements of an organisation formulated from rationality (Hart, 1992). These strategies, in general, are formal control systems designed by conscious thought to dictate how a firm should move (Mintzberg and Lampel, 1999). Mintzberg and Waters (1985) elaborate stating that a firm would carry forth a deliberate strategy with an exact intention. Additionally, the design of the deliberate strategy cannot be interfered by external forces where the outcome must portray what was intended.

Figure 2.2: Mintzberg's model of strategy formation



Source: (Mintzberg, 1978: 945)

Priem, Rasheed and Kotulic (1995) assess rationality within the strategy process. The results showed a positive link to firm performance using a deliberate strategy when operating within dynamic environments (Priem et al., 1995). A positive link between rationality and performance, however was inconsistent with previous studies showing opposite results (Fredrickson, 1983). Consequently, whether a

deliberate strategy would be successful for a firm has been debated within the literature (Wiltbank et al., 2006; Thomas and Ambrosini, 2015). It has been argued that deliberate strategy making has only succeeded within stable market conditions (March, 2006). Rapid changing markets such as the technology industry would not be able to sustain reapplying the same deliberate strategy in repetition (Davies and Walters, 2004; March, 2006). Transition economies are a key example where, traditionally, China was fixed in its operational activities (Davies and Walters, 2004). However, in the last decade, China has been forced to adapt its methods of enterprise when trading with western firms and customers (Davies and Walters, 2004). Farjoun (2002) therefore argues that firms can reach their *realised strategy* (Figure 2.2) through constant evaluation and learning through past experiences. As a result, firms gain *emergent strategies* (Figure 2.2) to cope with changing environments that require consistent evaluation (Covin, Green and Slevin, 2006). In other words, through evaluation, a firm can review and enhance their strategic direction. This renewal of strategy is argued as being emergent (Mirabeau and Maguire, 2014).

A notion of strengthening strategy through evaluation was recognised by Priem et al. (1995), reviewing the manufacturing industry. Firms had gained competitive advantage through experienced industry knowledge and efficient processes. March (2006) further reiterates that successful businesses would have reflected on their core strengths, adapting their strategic design when necessary. Emergent strategies have been considered as a tool to adapt a firm's systematic approach in line with both industry and geographical environments (Mirabeau and Maguire, 2014). The importance of emergent strategies has been well recognised for firms to reinvent their strategy (Hamel, 2009) and the ability to be fluent during changes of the economy (Herrmann and Nadkarni, 2014). March (2006) describes emergent strategies as adaptive intelligence whereby firms would be able to continue exploiting markets through strategy evaluations, consistently amending strategy with market knowledge.

Mirabeau and Maguire (2014) provide an insightful example where large telecommunication firms have utilised emergent strategies within their strategic process. Their study demonstrates how organisational processes have changed from

an autonomous strategic behaviour to an emergent strategy. As seen in Figure 2.2, two outcomes can derive from a firm's intended strategy. One possibility represents areas of the strategy that failed to work, becoming *unrealized strategy*. From applying the deliberate strategy, a firm would experience the second possibility with expected results from the known repeated action shown as *realized strategy*. Hence, this model introduced the notion of *emergent strategy* representing actions that were not initially planned nor intended by senior management. Within Mirabeau and Maguire's (2014) study, it was seen that a company had adopted a deliberate strategy, which maintained a standard service but did not address a multi-lingual service needed for long-term growth. Middle managers recognised this limitation and formed a multi-lingual call centre, establishing an emerged strategy through evaluation.

In similar discussions, it has been argued that entrepreneurs have often become 'accidental' through this same process of evaluating strategy (Shah and Tripsas, 2007). An individual could have discovered an emerged strategy enhancing a product or service before a competitive firm, who were too engaged in their deliberate strategy. For instance a technological breakthrough invented by in-house developers inspired to innovate, establishing a better solution (Shah and Tripsas, 2007). Thietart (2016) concurs identifying the relevance for modern day strategy, whereby strategic evaluation can result in faster response to environmental changes. However, this can raise questions of how firms within areas of uncertainty can formulate emergent strategy given the extra factors of consideration; particularly, how emergent strategies can be influenced by turbulent environments (Grant, 2003).

Firms can move from deliberate strategy to emergent strategy by modifying their operations with each location (Fort, 2009). For example, in Lebanon, Citi Bank's ability to continue providing loans to the country (during conflict) increased their negotiation capacity with the national government (Jamali and Mirshak, 2010). The governing body had recognised the bank's ability to reduce civil conflict through providing loans, in turn legitimising their actions (Jamali and Mirshak, 2010). Similarly, Oetzel and Getz (2012) also identify that companies would incorporate mediation or arbitration with groups engaged in conflict within their strategy process. These examples highlight how working with institutions can lead to a

positive emerged strategy. Nevertheless, a gap has remained within the strategy process literature to explain how NGO institutions or individual actors are legitimised by firms to influence their strategic decisions (Berrone et al., 2013). To gain a comprehensive understanding of the strategy process, contextual application is needed in organisational research (Covin et al., 2006; Corley and Gioia, 2011).

To summarise this section, insight into the strategy process has identified four main sequential steps, *Situational Analysis*, *Formulation*, *Implementation* and *Evaluation*. Situational analysis provides an overview for a firm to identify their resources and select a strategic direction (Farjoun, 2002). In this step, a thorough internal analysis needs to be undertaken as well as the strategic and environmental context a firm intends to enter. The formulation step has provided an overview of internal and external influencers (Whittington and Caillaud, 2008). Understanding the different elements in internal and external influences has provided a greater understanding of strategic complication for decision-makers (Grant, 2003; Lampel et al., 2014). Implementation of the strategy would follow with a set of activities to achieve the strategic plan (Kleinbaum and Stuart, 2014). Finally, the last step allows a firm to evaluate the performance of their strategic direction and understand stakeholder reviews (Hutzschenreuter and Kleindienst, 2006). Becoming well acquainted with the fundamentals of the strategy process is essential. As noted within the review, further analysis of the environmental context is required as the geographical and institutional settings can influence many functions of the process (Arregle et al., 2013).

2.5 Conclusion

The purpose of this chapter was to gain an understanding of business strategy and several factors associated in the strategy process. An evolution in the definition of strategy has highlighted a firm's ability to manage resources with its external environment (Ronda-Pupo and Guerras-Martin, 2012). Furthermore, to understand the geographical impact and external influences on a firm, it was seen that an empirical enquiry had to focus on the corporate level of strategy (Henisz et al., 2014; Hiatt and Sine, 2014). As strategy can be influenced from multiple levels (Hitt et al.,

2007), it was first important to understand the firm's strategy process from a macro perspective. The strategy process examines the development of how strategies are generated and what factors are included in the creation (Hutzschenreuter and Kleindienst, 2006). Following a historical review, a conceptual strategy process framework was created based on four major steps: *Situational Analysis*, *Formulation*, *Implementation* and *Evaluation*. Understanding this macro perspective supported a review of NGO influences from a meso level and individual actors from a micro level of analysis.

Situational analysis allows a firm to assess their current performance and review their resources (Farjoun, 2002). The firm would then be able to assess their strategic context and environmental context. The *Formulation* step demonstrates that strategic decision-making is a play off between strategy teams, firm executives and internal-external influences. As all three assemblies are linked, it is noted that the internal human dynamics can increase complexity (Courpasson et al., 2012). Furthermore, external influences can enter strategic discussions where PESTEL factors have increased for firms (Eden and Ackermann, 2004). Businesses can collaborate with governing bodies and NGOs to seek consultancy. *Implementation* of strategy would conduct particular activities to accomplish a firm's plan (Lee and Puranam, 2015). This step entails the process outcome and acknowledges employee recognition. *Evaluation*, being the fourth step of the strategy process, is necessary to refine strategy based on assessing performance and stakeholder reviews (Thomas and Ambrosini, 2015). Through evaluation the strategy process cycle repeats. This renewal of strategy has been argued as emergent (Farjoun, 2002).

In becoming acquainted with the fundamentals of the strategy process, this chapter has shown that further insight was required to assist an empirical study. The necessity to contextualise the strategy process framework was augured. Context can not only influence how firms approach their operational environment (Nadkarni and Barr, 2008) but also strategic decision-making seen within the formulation step (Shepherd and Rudd, 2014). Though business management literature has provided insight into how firms respond in unstable environments (Dai et al., 2013; Driffield et al., 2013), there appears to be a limitation of a comprehensive integration to the strategy process narrative. Therefore, to progress this thesis it was necessary to

understand businesses in conflict zones and the impact these regions could have on the strategy process framework. The next chapter shows how conflict literature can develop the conceptual strategy process framework.

CHAPTER 3

EXAMINING THE IMPACT OF CONFLICT ZONES ON BUSINESS AND THE STRATEGY PROCESS

3.1 Introduction

The previous chapter explored strategy and the fundamental stages of the strategy process. Additionally, the importance of contextualising the strategy process was also recognised. A context can not only influence how firms approach their operational environment (Nadkarni and Barr, 2008), but also how firms respond to external influences (Shepherd and Rudd, 2014). Business in conflict zones is an interesting topic in strategy, management and international business literature (Branzei and Abdelnour, 2010; Dai et al., 2013; Hiatt and Sine, 2014; Oetzel and Getz, 2012; Darendeli and Hill, 2016). The aim of this chapter is to extend the insights of the strategy process, placing the process in the context of a conflict zone.

Over the years, questions have emerged with respect to how firms operate within unstable locations. What is the economic rational to enter a conflict zone (Branzei et al., 2004; Oetzel et al., 2010)? How do firms react to violent conflict (Jamali and Mirshak, 2010; Oetzel and Getz, 2012)? How does Non-Governmental Organisations (NGOs) influence firm strategy in conflict zones (Delmas and Toffel, 2008; Kolk and Lenfant, 2012)? Conflict zones are a unique context to study due to being complicated by many players within an operational environment. Businesses play an important role in stabilising the economy of a conflict zone (Boge, Fitzpatrick, Jasper, and Paes, 2006). Likewise, NGOs are equally important within conflict zones due to their social objectives to raise welfare (Katsos and Forrer, 2014). Therefore, it is necessary to understand the relationship between MNCs and NGOs within adverse environments, reviewing how they can work with each other and for what motive. To gain a comprehensive multilevel perspective first required a macro understanding of how the geographical context impacts a firm's strategy process. The objective of this chapter is to highlight conflict literature that informed this study at a firm level, integrating key aspects to the conceptual strategy process

framework. Successively, this chapter could further understand NGO relationships from a meso level and individual actors from a micro level of analysis.

This study aims to understand how the strategy process is formulated within conflict zones and how NGOs as an external institution can influence this process. For example, gold mining firm Anglo Gold Ashanti has been criticised by the NGO Human Rights Watch for providing financial assistants to rebel groups operating in East Congo (Kolk and Lenfant, 2012). The NGO, questioning the integrity of the firm, applied pressure to change their strategic actions. Kolk and Lenfant (2012) reiterate how business and NGO collaboration can avoid malpractice whereby both parties can work towards a shared goal. This example highlights why it is necessary to explore the phenomena of organisational influence in unstable environments, described further within the chapter.

This chapter will begin by establishing a definition of a conflict zone. This will also incorporate an understanding of the different stages of conflict followed by the costs incurred. Subsequently, the chapter will continue by examining business operation in conflict zones. Reviewing this literature will provide understanding of why businesses enter such environments and the consequential effect. This section will also build on the NGO–business link within conflict zones. In understanding organisational relationships, the review will integrate relevant themes to the strategy process, developing the conceptual framework generated in the previous chapter.

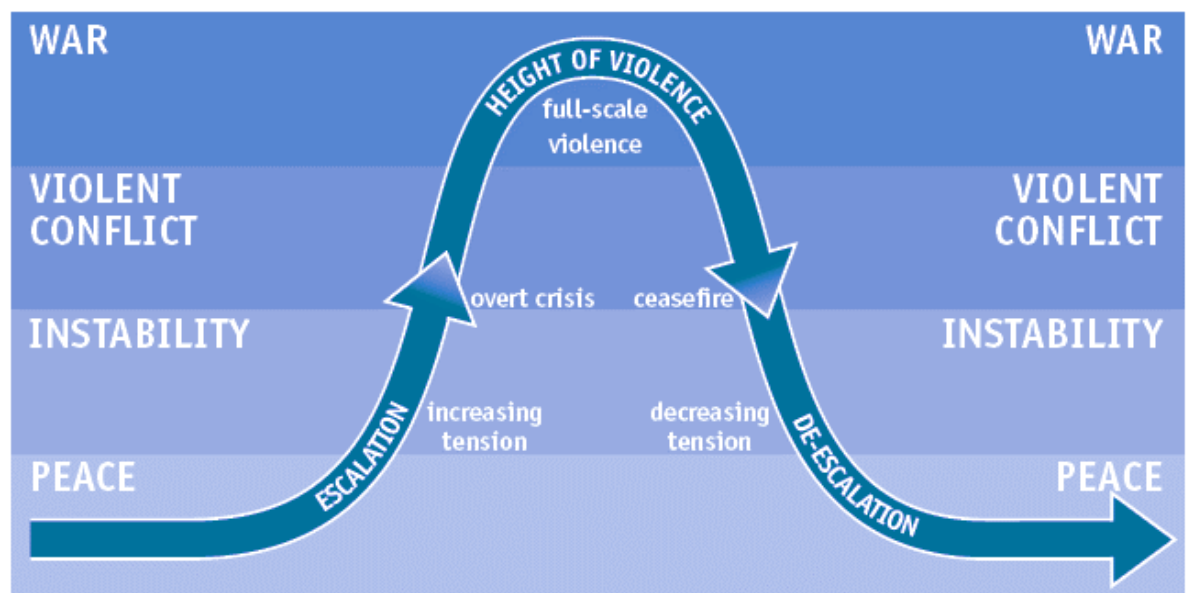
3.2 Establishing a Relevant Definition of Conflict

In order to achieve the aim of this thesis, it is necessary to understand what is meant by conflict. Rummel (1976) describes conflict as an evident expression of tension between two or more groups with alternate interests. The nature of conflict has been seen as a philosophy rooted from the need to gain power over another due to differing ideologies (Rummel, 1976). Cox and Tung (1997) build on this philosophy identifying conflict arising from distinct socio–cultural groups creating tension. As a result, geographical regions will experience conflict focused in a particular place (Dai et al., 2013). Thus, conflict zones can be defined as “regions of war (civil or

cross border), insurgency, or severe lawlessness” (Anderson, Markides, and Kupp, 2010: 8). This definition corresponds with Kolk and Lenfant's (2012) understanding where the lack of good governance and regulation can lead to violent conflict arising. This definition brings together three important aspects of how a conflict zone can be conceptualised. Some studies have determined conflict zones by focusing on one particular aspect, for example, national animosity and war (Arikan and Shenkar, 2013; Dai et al., 2013). Others have described conflict zones in relation to armed conflict and rebellions (Lujala, 2010; Berman et al., 2017) as well as highlighting lack of governance (Collier and Sambanis, 2005; Kolk, 2015). Though these are all common themes to define conflict zones, the definition described by Anderson et al. (2010) provides a well-rounded perspective.

It has been suggested that there can be different stages of conflict. Woocher (2009) demonstrates this in Figure 3.1.

Figure 3.1: The curve of conflict



Source: Woocher (2009: 3)

Figure 3.1 shows the stages a region will go through when experiencing conflict. Beginning with peace, the country moves into instability from a certain escalation. This escalation could be from civil or political disputes (Woocher, 2009). The rise of tension will lead to violent conflict and potentially war. Oetzel et al. (2007) also

highlight that international turmoil can lead to economic instability. Regions that are however, subjected to international conflict can be complex to understand due to historical events conspiring to the breakout of conflict (Katsos and Forrer, 2014). Nonetheless, Figure 3.1 provides an insightful imagery of how a conflict zone can rise and fall. The stage of conflict a host country is going through can also be linked to the country's economic development and foreign direct investment (FDI) prospects (Driffield et al., 2013). In many cases a firm would want to invest in the de-escalation of conflict (Figure 3.1) where a country is in recovery stages. This would reduce financial risk and save the company from working within the means of conflict (Driffield et al., 2013). Countries such as Mozambique have demonstrated this, experiencing economic growth at the de-escalation stage of conflict (Addison, 2003). Other countries such as Guinea-Bissau have also experienced a measure of political stability after conflict in late 1990s (Addison, 2003). However, these would be dependent upon how well a country can manage the characteristics of conflict (Feil, 2012).

Understanding the different stages of conflict raises the notion of temporality particularly where the severity of conflict can range over different time periods and causes of events (Guidolin and La Ferrara, 2007). Guidolin and La Ferrara (2007) had shown in their study of the diamond industry in Angola, that a region moving from violent conflict to ceasefire could cause an impact on financial returns for certain MNCs. Within the author's study, the diamond company had experienced a decline of financial income following the death of a rebel leader. Hence, understanding the impact of conflict zones on MNCs could be unique to differing stages of conflict. In a similar narrative of temporality, Bucheli and Kim (2012) had also shown that a MNC's interactions with an environment could change over different time periods. In their study, as political risk increased, a firm's credibility and legitimate status declined. Consequently, the stage of turbulence that a geographical area is experiencing could have differing impacts on firms that are operating in that region. Hence, understanding conflict zones can be a unique context to study due to the stages recognised in Figure 3.1.

Conflict zones are prone to uncertainty due to the national state failing to uphold regulation and good governance (Driffield et al., 2013; Forrer and Katsos, 2015).

Conflict zones are commonly created by war-torn regions (Driffield et al., 2013), armed conflict (Berman, 2000) or geo-political tension (Henisz et al., 2010). The Democratic Republic of the Congo (DRC) provides an insightful example. The DRC has been transformed into a conflict territory due to experiencing many wars since its independence in 1960 (Ndikumana and Emizet, 2005). The result of governmental disagreement led the country into civil instability. This was further contributed with the rise of rebellions centralised around the country's vast diamond and gold plantations (Ndikumana and Emizet, 2005). Furthermore, Addison (2003) argues that the lack of transparency also contributes to the growth of conflict zones such as with the DRC (Addison, 2003). Lack of transparency could be due to individual political agendas, resulting in funds being used for personal benefit rather than creating good governance for the citizens of the country (Kolk and Lenfant, 2012).

With the rise of complications within a conflict zone, MNCs operating in such regions have to adapt their practices to suit the situation (Boge et al., 2006). Firms have been known to connect with local actors within the conflict such as suppliers and governmental bodies to continue with their business operation (Kraemer et al., 2013). However, before understanding business operation in conflict zones it is necessary to recognise the impact of conflict. When defining conflict it is essential to establish the costs incurred during these times.

3.2.1 Costs of conflict

From a macro perspective, there are three main costs of conflict: political, economic, and social (Hoeffler and Reynal-Querol, 2003). Firstly, the political arena can not only be a source of conflict but also a major cost after tension has decreased (Hoeffler and Reynal-Querol, 2003). It is recognised that having a strong governance of state can lead to economic growth (Ballentine and Nitzschke, 2005). However, Maitland and Sammartino (2015) highlight that one main aspect of environmental uncertainty for MNCs is the political infrastructure of the host country. Thus, a conflict or post-conflict zone can be slow to recover due to the lack of political stabilisation and slow FDI (Driffield et al., 2013). In many cases new political groups, after facing conflict, can still be seen as high-risk for foreign investment (Sweeny, 2011). This is due to

the high potential for conflict to break out again. International hostility could also be affected with certain political groups affecting international trade agreements (Henisz et al., 2010). For example, following the invasion of Iraq in 2003 the country is still seen as a high-risk investment due to the reasons mentioned (Askari, 2012; Katsos and AlKafaji, 2017).

Conversely, Henisz et al. (2010) recognise that a firm operating in a country which is perceived to have high risk could still be competitive in relative price. For example, Russia has relatively higher risk than the USA; purchasing oil from Russia was 48-58% cheaper than USA (Henisz et al., 2010). Political risk, however, in terms of uncertainty can also be based on international hostility rather than internal political failure (Pache and Santos, 2010). With many markets expanding due to internationalisation, national governments must form global partnership to promote trade (Spoor, 2005). Nevertheless, if a political party is seen to be of high risk this could cost the country the ability to trade in international markets, potentially leading to international turmoil (Darendeli and Hill, 2016). This leads onto another major cost of conflict.

Secondly, countries can face an economic cost of conflict. Conflict can drain financial resources, in turn affecting business performance and the country's economic strength (Namaki, 2014). Abadie and Gardeazabal (2003) conducted a study on the economic cost when the Basque Country experienced terrorism. At the time of de-escalation, the country experienced a 10% decline of GDP. Furthermore, the market value of stock produced by the country had also fallen. This resulted in losing competitiveness to identical products sold from outside of the state. In comparison, Dickenson-Jones, Hyslop and Vaira-Lucero (2014) noted that terrorism has less of an economic impact when compared to internal or external civil war. Nonetheless, both forms of conflict can lead to economic uncertainty. This is due to conflict disturbing the business trade of the host country (Mason, 2014; Berman et al., 2017).

Conflict not only affects MNCs but also local entrepreneurs (Collier and Sambanis, 2005). Over a period of time prolonged conflict directly interrupts the economic wellbeing of the host country (Branzei and Abdelnour, 2010). Israel and the

Palestine region have experienced such activity where conflict has led to both local business failure and loss of foreign business linkages (Nourse et al., 2007). The occupied region of Palestine has been recognised as a fragile state whereby due to on-going conflict has resulted to an unfavourable entrepreneurial environment and declining economy (Stevenson, Daoud and Sadeq, 2009). As a result, conflict directly affected the livelihood of the citizens living in such regions highlighting another cost of conflict.

The third cost of conflict is social impact. Within any form of conflict arising there is a negative cost to society (Collier, Hoeffler and Söderbom, 2004). The lifestyle of citizens within conflict countries changes tremendously during and after tension (Pearce, 2004). Dependent on the scale of conflict, citizens can be forced out of their homes due to poor living conditions and become 'internally displaced' (Forrer and Katsos, 2015). Many cases have shown that conflict has led to the resettlement of citizens caught in-between conflict (Addison, 2003). With little support from this host nation, NGOs look towards the international community and MNCs for financial support (Kolk, 2015). Therefore, it has been argued that corporations play a key role in the recovery of a post-conflict zone (Kolk and Lenfant, 2012).

The conflict in Afghanistan provides an example of social cost. With the 'Taliban' terror group engaged in international turmoil, many citizens became internally displaced (Bullough et al., 2014; Collier and Sambanis, 2005). Additionally, due to the unstable external environment many citizens could not gain employment within a company (Ciarli, Kofol and Menon, 2015). Thus, many families within Afghanistan turned to self-employment entering ventures in agriculture enterprise (Ciarli et al., 2015). However, as noted, the performance of local trade would be limited due to economic instability (Ndikumana and Emizet, 2005). Bullough et al. (2014) concur adding that the rate of success would depend on social resilience as, in many cases, citizens have been affected psychologically with the consequences of conflict. This could be in the form of trauma, fear of relocating or engaging in social interaction (Hoeffler and Reynal-Querol, 2003). The social cost would therefore need to be examined on a micro level to fully grasp. As Bullough et al. (2014) state, the degree of social cost would be context-based making it difficult to completely generalise.

In summary, this section has identified that conflict zones are formed through civil or cross-border tension. A common theme which is linked to conflict zones is uncertainty due to the lack of national regulation and governance (Driffield et al., 2013; Forrer and Katsos, 2015). Given the political, economic and social costs incurred through conflict, it is important to study why and how businesses operate within such contextual environments. This further goes to question how operating within conflict zones is accounted for within the strategy process. The next section will provide further understanding concerning business operations in conflict zones.

3.3 Understanding How Conflict Zones are Accounted for Within Business Operation

Interest has grown to understand how corporations operate within unstable environments (Getachew and Beamish, 2017). The term ‘turbulent’ is used in many fields of study. From a business perspective the term ‘turbulent’ refers to a constant change in the external environment (Grant, 2003). Early insight showed how firms can optimise profits within these environments (Ansoff and Sullivan, 1993). Ansoff and Sullivan (1993) created a matrix which allowed firms to direct a strategic movement based on selecting the level of *environmental turbulence*, *strategic aggressiveness* and *general management capability*. Though a level of political instability was recognised within these strategic contributions, this viewpoint focused on market economies such as technology and consumer trends. For example, the computing industry is constantly changing due to research and development, capital investment and increases in competition (Ansoff and Sullivan, 1993). More recent literature recognises how firms operate strategically within conflict territories (Henisz et al., 2010; Cuervo-Cazurra, 2016) and how firms survive in geographical conflict, emerging as an important topic (Berman, 2000; Dai et al., 2013).

At a macro firm level, when planning to enter a new region, MNCs need to understand the environmental demands and the resources required (Delmas and Toffel, 2008). Conflict zones can be complex contexts to study business due to multiple players consistently changing the environment (Jamali and Mirshak, 2010) and the moral principles attached (Darendeli and Hill, 2016). Commerce in conflict

zones operates differently from that of a stable external environment. Though similar stakeholders exist, the level of influence and power can constantly shift (Kantz, 2008; Murillo-Luna et al., 2008). Each stakeholder party would also possess differing values opposing each other (Kassinis and Vafeas, 2006). With many parties operating within a conflict zone each holding different rationales, trade within these regions can be difficult (Getz and Oetzel, 2009). Moreover, not all businesses wish to enter a conflict zone to trade with the host country, but rather are required to enter to source their product, such as mineral extraction (Feil, 2012; Berman et al., 2017). Certain industries like mineral extraction have also been scrutinised for fuelling conflict within a region, raising ethical investigations (Banerjee, 2008; Berman et al., 2017).

There is a commonality between conflict zones arising in regions rich in natural resources (Berman et al., 2017). As a result, businesses within the trade of natural resources must operate in areas of conflict (Grant, 2003). For example, the oil industry can only operate where their product can be extracted (Grant, 2003). This is the same for most firms engaged in extraction of natural resources such as diamond and gold (Boge et al., 2006). In turn, businesses must incorporate within their strategy of how to work within adverse conditions. The economic rationale can be justified from the industry being lucrative (Sherman, 2000; Sweeny, 2011). However, Lujala (2010) states that it is for this reason that rebel groups arise around these regions. The rise of ‘black markets’ – unregulated trading environments – is common in regions of natural mineral extraction (Kantz, 2008). Thus businesses that intend to enter such environments must have a comprehensive plan within their strategy process (Nourse et al., 2007). How these unregulated markets are perceived would dictate if a company would work within them or not (Collier and Sambanis, 2005).

The political stability of a country can be a major macro influence in how firms formulate their strategy (Stevens et al., 2016; Jia and Mayer, 2017). Darendeli and Hill (2016) gained an understanding of how firms could operate within zones of high political risk. The study had taken insights from Libya, having experienced political repression. As a result, entrepreneurial activity was highly regulated, limiting how MNCs could operate. Angola provides another example of political complexity that

firms have to incorporate within their strategic plans. Angola is a land rich in oil and diamonds (Pearce, 2004; Boge et al., 2006). Since independence, key political parties have conflicted on whom should govern the state (Pearce, 2004). Furthermore, many have recognised that these political parties have acted upon personal interests (Sherman, 2000; Boge et al., 2006). These actions have been directed to gain ease of access to the location of natural resources. Hence, the country has suffered civil conflict from territorial divide by two major political parties (Sherman, 2000; Boge et al., 2006). Sherman (2000) suggests that the international business sector strategically supports a political party in these situations to pursue commercial interests. International diamond firm De Beers was operating within Angola to source their products (Pearce, 2004). Kantz (2008) states that De Beers was strategically advantageous due to owning a large market share of the industry. As a result, the firm had gained years of market knowledge and built a strong business network.

From a meso level of analysis, Doh and Teegen (2002) also recognise that businesses could be pressured to change their business actions by NGOs. This is due to NGOs operating within the same geographical location or concerned with social regulation (such as corruption or human rights). If firm actions obstruct the goals of an NGO, the organisation would want to alter the firms' strategic decisions (Kolk, 2015). Within Angola, in 1999, the NGO Global Witness recognised violation of human rights in De Beers' business operations which was not being regulated by the national state (Kantz, 2008; Global Witness, 2010). This attracted international publicity and applied pressure on De Beers to change their business operation. Global Witness and the United Nations established the Kimberly Process in an attempt to regulate how diamonds are extracted and sold (Kantz, 2008; Hönke, 2014).

This example showcases how an NGO can influence the strategic operation of a firm. Following the action of the Kimberly Process, De Beers was forced to exit Angola opening the market for new firms, such as Russian-based Alrosa (Boge et al., 2006; Kantz, 2008). Nevertheless, the relationship between firms and non-political institutions in conflict zones lacks clarity. Oetzel et al. (2010) have observed that NGOs have power to influence the strategy process. However, from a meso level of

analysis further insight is needed to understand the degree to which NGOs can gain influential power over MNCs' underlying principles. It has been claimed that NGOs play a positive role in setting guidelines of how MNCs can operate within conflict zones (Bieri, 2010), such as the case with Global Witness. However, Cuervo-Cazurra (2016) contests that it can be difficult to identify unseen business actions. This is due to the characteristics of the regions being unregulated and engaged in insurgency. Some regions would have adapted to an informal business process which firms may be forced to adhere to, to enter certain markets (Cuervo-Cazurra, 2016); for example, engaging in bribery to accelerate suppliers and lower overall transaction costs (Cuervo-Cazurra, 2016; Gambardella, Birhanu and Valentini, 2016).

Firms are being held accountable for their actions by the public and NGOs (activist groups and social regulatory bodies) (Nelson, 2000; Darendeli and Hill, 2016). Many NGOs are concentrating their efforts to progress less economically developed countries (Spoor, 2005). This is because many NGOs are driven by social cause (Kassinis and Vafeas, 2006). Thus, any action within a conflict zone seen to fuel conflict or affect the ecological environment can raise the attention of activist groups. For example, Greenpeace started a campaign to boycott oil products from companies that operated within Nigeria (Boge et al., 2006). It was seen that these companies were leaving a negative impact on such countries. The NGO's pressure affected the strategic decision of firms. In this case the International Finance Corporation withdrew their funding loan, a partnered venture between the Nigerian government and foreign oil investors (Boge et al., 2006). Driffield et al. (2013), hence state that firms are more likely to invest in conflict zones with weaker institutions.

Though NGOs can influence strategic decisions, there is an argument that their influence results in little change due to the nature of some industries (Ballentine and Nitzschke, 2005; Hiatt and Sine, 2014). Organisational influence on strategy is highly governed by context (Nadkarni and Barr, 2008). As recognised, firms can respond differently in operational environments and institutional settings (Arregle et al., 2013). For example, within the oil and gas industry, product demand has remained high given that NGOs highlight sustainability issues (Grant, 2003). Therefore, many buyers would be forced to overlook what was of concern to the

NGO due to the necessity of the product. A thought has remained within the industry that if a firm were to leave the operational site, a competing firm would inevitably replace them (Boge et al., 2006). This was the case when Canadian oil firm Talisman exited a conflict zone, Sudan (Boge et al., 2006). Chinese and Indian oil firms soon filled the opportunity gap. As a result, NGOs that operated within Sudan had to begin the lengthy process to influence the strategy of the new firms' entrance (Boge et al., 2006). Collier and Sambanis (2005) argue that in these scenarios, NGOs would have little leverage to influence the new firms' entrance. Subsequently, Garud, Hardy and Maguie (2007) argue that the notion of power is connected to individual actors being fundamental agents of change.

At a micro level, in some cases corporations would have to rely on social networks to overcome entrance barriers in conflict zones (Darendeli and Hill, 2016). Local actors would accept working with foreign firms due to negotiating a mutually profitable outcome (Claasen and Roloff, 2012; Scherer et al., 2013). However, this can become complex as building ties with a particular group of individuals can strengthen or weaken a firm's legitimacy with other parties involved within the conflict (Darendeli and Hill, 2016). Furthermore, this competitive advantage can also be seen as an ethical challenge firms must face (Henisz et al., 2010). The notion of unethical business practices (such as corruption) can operate at an individual level (Cuervo-Cazurra, 2016). Hence, for NGOs to be able to influence business strategy requires changing the attitudes of influential firm members (Doh and Teegen, 2002). However within institutional insight, only certain individual actors possess the correct traits to build relationships and influence firms (Leca, Battilana and Boxenbaum, 2008; Mtar, 2010). The individual actors within NGOs that possess legitimacy and power to influence are not fully recognised (Den Hond et al., 2015). This provides rationale to empirically demonstrate which individual actors can influence the strategic decision-making from a micro level of analysis. Where firms rely on the resilience of senior management to operate in unstable environments (Bullough et al., 2014), it is necessary to understand how micro influences can equate to macro firm changes (Kouame and Langley, 2018).

As recognised, institutions operating in the same environment as MNCs can influence firm strategy (Shepherd and Rudd, 2014). To gain further clarity of the

meso level relationship between MNCs and NGOs, it is worthwhile considering why and how NGO institutions emerge in conflict zones.

3.3.1 NGOs emerging within conflict zones

Due to the complications of hostile environments NGOs can emerge in conflict zones for several reasons. Firstly an international NGO can emerge within a host country due to the necessity to facilitate a social need (Teegen, 2003). For example, NGO Cell Life partnered with MNC Vodacom in the Democratic Republic of the Congo to develop specialised software for HIV patients (Kolk and Lenfant, 2012). NGOs can be seen as a bridge between governments, firms and society (Sun, Mellahi and Thun, 2010). Many NGOs work within regions of instability for educational purposes. Due to weak governing institutions being unable to facilitate social welfare, NGOs have partnered with private organisations to fulfil such needs (Kolk and Lenfant, 2012). Examples have been HIV awareness (Brammer, Jackson and Matten, 2012) or micro-financing (Bruton, Ketchen and Ireland, 2013).

Teegen (2003) elaborates, stating that governmental institutions work to protect the public interests. As a result, citizens give up their power in exchange for security, economic welfare and public goods (Teegen, 2003). Additionally, Firms interact with the public through trade and services (Teegen, 2003). However, failure to fulfil positive exchanges can raise social issues. Thus, as well as providing knowledge resource, NGOs have been seen to play a protective role towards the public.

Secondly, NGOs can operate within conflict zones to regulate commercial activity (Kolk and Lenfant, 2012). As seen within the literature review, some forms of NGOs regulate businesses to ensure unethical practices are not used (Cuervo-Cazurra, 2016). This could be in violation of human rights or ecological damage by firms (Vachani et al., 2009). Both of these issues could be unregulated by the local government, consequently affecting the welfare of citizens (Doh and Guay, 2006). Furthermore, political instability would also contribute to the rise of local and international conflict, again affecting the welfare of citizens (Ang et al., 2015). With

the failure of government and firms benefitting at the cost of society, NGOs act in the public interest (Teegen, 2003).

Thirdly, a most common reason for NGOs emerging within conflict zones is for humanitarian aid (Pache and Santos, 2010). Local interest groups seek intelligence from the international community due to the lack of resources and skill set (Teegen, 2003). As a result, international NGOs entering a conflict zone possess special expertise and experience (Kolk and Lenfant, 2012). This could be in resources or knowledge of a specific field (Kolk and Lenfant, 2012). Known as transnational institutions, international NGOs are usually centralised and managed within a stable environment, planning operations to enter unstable situations (Feil, 2012; Marano and Kostova, 2015). Humanitarian aid could be in the form of medical assistance as well as management of displaced refugees (Askari, 2012; Williams and Shepherd, 2016).

A relevant example of how NGOs operate in practise can be demonstrated with the Kyangwali refugee settlement. Uganda had established the Kyangwali refugee settlement for 20,000 refugees (Werker and Ahmed, 2008). The refugees were displaced from Sudan and the Democratic Republic of the Congo due to conflict and humanitarian crisis (Werker and Ahmed, 2008). The Ugandan government provided housing and security while the United Nations Refugee Agency took responsibility for welfare. To assist the United Nations, NGOs were funded as partners to carry out day-to-day operations directly with the refugees. As Werker and Ahmed (2008) showcase, one of the NGOs was 'Action Africa Health International' specialising in food distribution, environmental management and HIV awareness. This example highlights that NGOs are influential institutions due to their knowledge and resource factor (Teegen, 2003; Vachani et al., 2009).

NGOs aspire to connect with international governments and firms to seek support in financial resources (Galbreath, 2010; Jamali and Mirshak, 2010). Marano and Kostova (2015) found that firms could enhance their brand image by working in line with NGOs. The notion of firms building relationships with NGOs for strategic gain raises questions concerning NGOs' ability to influence the strategy process. Additionally, Alesina and Weder (2002) argue that due to corrupt governmental

officials within developing countries, frequently, financial aid has not reached the intended need. The notion of corruption further highlights the necessity to recognise how NGOs and MNCs perceive each other in a contextual conflict environment questioning legitimacy (Arregle et al., 2013; Darendeli and Hill, 2016).

It has been seen that firm strategy can be influenced by NGOs when operating in conflict zones (Kolk and Lenfant, 2012; Teegen et al., 2004; Vachani et al., 2009). NGO influence is due to their ability to gain wide support of their social objectives (Soule, 2012). However, the degree to which a firm will change its strategic action would be dependent on the level of legitimacy and characteristics of industry (Claasen and Roloff, 2012). Furthermore, given the nature of this topic, the concept of ethics in business has grown beyond industry level becoming of interest to the wider community (Kolk, 2015; Land et al., 2014). Therefore, this review must also recognise the meaning of ethics when examining businesses in conflict zones.

3.3.2 Ethical considerations when businesses operate in conflict zones

Business ethics has reached a wide spectrum in reviewing what is regarded as correct practice in commerce (Oetzel et al., 2010). The essence of ethics has remained to recognise what values that firms hold in integrity and responsibility to stakeholders (Joyner and Payne, 2002). As Joyner and Payne (2002) elaborate, ethics in strategy has particularly been investigated in numerous studies placing importance on moral considerations in how firms gain competitive advantage and financial growth. How firms define ethics can be questionable particularly in strategic implementation and relationships with stakeholders in differing environments (Miles, 2012). As recognised above, firms that operate within conflict zones have to make strategic decisions concerning how they intend to operate given the complexities and costs of conflict. Similar to cases such as the Democratic Republic of the Congo, some conflict zones have conspired within countries rich in national resources (Lujala, 2010). The example of Sierra Leone has shown how conflict can progress into international publicity with the on going concern of mineral extraction (Askari, 2012). The media attention on the diamond industry in Sierra Leone has highlighted an ethical question to international investors (Berman et al., 2017). With the lack of

infrastructure within this country, many have questioned if these diamonds have been extracted in an ethical manner, concerning armed rebel groups and violation of human rights (Nelson, 2000; Claasen and Roloff, 2012; Berman et al., 2017). For this reason, more in recent years, NGOs have been able to influence companies that operate within conflict zones understanding the firm's strategic motive (Kolk and Lenfant, 2012).

Land et al. (2014) argue that in some cases firms prefer to stay within the 'grey area' for ease of return on investment. In other words, some firms would prefer to operate within an unclear area of what is regarded as acceptable trading behaviour and misconduct raising an ethical contradiction. It is for this reason that many institutions such as international governing bodies and activist groups are motivated to change the attitudes of businesses (Teegen et al., 2004). Cuervo-Cazurra (2016) argues that firms must contemplate upon their strategic intervention when deciding to operate within adverse conditions. Studies have shown that ethical considerations within the strategy process of firms are governed by individual principles, where actors define their sense of responsibility (Branzei et al., 2004). Moreover, it has been seen that the social behaviour of senior members in the firm can influence the formation of the strategy process, in turn dictating the degree of ethical considerations and social responsibility (Bromiley and Rau, 2015). Branzei et al. (2004) and Bromiley and Rau's (2015) findings suggest that ethics needs to be incorporated from a micro perspective to be categorised into macro firm level processes. NGOs' collaborative activities with firms would hence benefit on a multilevel platform, encouraging partnership values with influential firm actors (Kolk and Lenfant, 2012). This further highlights the need to understand the multilevel phenomena of organisational influence, where micro level activities are fundamental to change macro level processes (Kouame and Langley, 2018).

Given the external pressures, companies have incorporated socially aware values within their organisational ethos (Husted et al., 2015; Idemudia, 2010). However, it has been argued that firm's social initiatives are to save brand identity rather than benefit society (Claasen and Roloff, 2012). By engaging in socially responsible activities a firm can reduce the risk of buyers switching to competitors (Namaki, 2014). Incorporating social activities can be mutually beneficial for both parties due

to the positive reinforcement the brands will gain. Subsequently, studies have also emphasised firms have a responsibility to positively influence the environments in which they operate (Branzei and Abdelnour, 2010; Hönke, 2014; Oetzel et al., 2010). From these standpoints, terms such as ‘peace through commerce’ have entered the management literature (Driffield et al., 2013; Ford, 2015). Commercial activity has the ability to eliminate the economic and social costs of conflict (Katsos and AlKafaji, 2017). Katsos and AlKafaji (2017) elaborate that given the economic importance to a region firms can also promote peace through informal diplomacy. This would be in the interests of the firm, given the complexity of strategy planning in turbulent environments (Grant, 2003). However, firms would have to engage with ethical intentions for peace through commerce to be successful (Ford, 2015).

To summarise this section, business in conflict zones increases strategic complexity due to multiple players and constant change. In some cases, firms have to build a social network to overcome high political regulation (Darendeli and Hill, 2016). Firms within certain industries are also required to enter conflict-prone regions to extract their product. Due to the lucrativeness of natural minerals, conflict of ownership can arise, exposing commercial activity to rebel groups and political ties. This has raised questions of legitimacy and ethics. Business operation in conflict zones has subsequently attracted NGOs, questioning firm integrity. NGOs have also requested support from businesses in social welfare due to the costs incurred through conflict. Local interest groups and NGOs have therefore influenced firm strategic decisions. Context can change how firms approach their operational environment and incorporate the institutional setting (Arregle et al., 2013). The complications of operating in conflict zones and institutional pressure subsequently question the contextual impact on the strategy process. The next section will review the strategy process in conflict zones.

3.4 Integrating Conflict Zone Planning to the Strategy Process

Chapter two highlighted the underpinnings of the strategy process and developed a conceptual framework. From understanding the meaning of conflict and how conflict zones can impact business operations, it is possible to begin contextualising the

strategy process from a macro perspective. Fragmenting the macro firm level process can provide understanding of where and how NGOs can influence at a meso level of analysis. Successively, it is possible to examine the micro phenomena of individual actors who can change the process. Contextualising the strategy process begins with the first step.

3.4.1 Step one - Situational Analysis

Within the first segment of the process, a firm would carry out a situational analysis. Given the environmental context of conflict zones, Grant (2003) emphasises the necessity of planning. Planning can prepare a firm for what to expect when operating within different external environments (Phadnis, Caplice, Sheffim, and Singh, 2015). When considering business operation within a conflict-prone region, it can be beneficial to first assess at what stage the conflict is positioned (Woocher, 2009). As recognised earlier in Woocher's (2009) curve of conflict, a region can experience different degrees of turmoil. Therefore, when conducting an analysis of the *environmental context*, assessing the stage of conflict would support consideration of whether to enter a region (Driffield et al., 2013).

In similar discussion, at this stage a firm would also need to understand the demands of the external environment they are considering to enter (Grant, 2003). For conflict zones, firms would need to understand how business operates differently, as recognised earlier within the review; for example, understanding how firms can gain access to certain locations and fulfilling regulations (Sherman, 2000). Oil and gas firms give thorough attention to this part of the strategy process (Grant, 2003). Additionally, firms also need to balance the local demands from the host country within their organisational goals (Hitt, Li and Xu, 2016), particularly where firms want to avoid external pressure from the local community (Kraemer, Whiteman and Banerjee, 2013) or ecological interest groups (Bowen, Bansal and Slawinski, 2018).

Sarkis et al. (2010) state that in these planning stages, a firm would also need to assess external stakeholders and the impact they could have upon the business's operations. External stakeholders could include customers, government bodies and

suppliers (Delmas and Toffel, 2008; Dai et al., 2013). Additionally, firms would need to forecast reaction from global and local competitors (Claasen and Roloff, 2012). Entering a new region could prompt not only competing firms to respond (Meyer and Thein, 2014) but also local organisations associated with the conflict (Ramos and Ashby, 2013). However, it can be difficult to predict the impact of stakeholders due to the constant change of events in turbulent environments (Abadie and Gardeazabal, 2008). Unable to fully assess stakeholders can increase business risk for firms (Murillo-Luna et al., 2008). It is for this reason that firms conduct scenario planning within their situational analysis stage (Grant, 2003; Phadnis et al., 2015).

Scenario planning allows a firm to remain adaptable in turbulent environments by drawing upon several potential outcomes (Phadnis et al., 2015). Whittington et al. (2017) state that strategy teams are making more use of scenario planning. This is due to the expansion of the firm's organisational locations and working in adverse conditions. Jamali and Mirshak (2010) support this notion through their qualitative research with MNC managers operating in Lebanon. By incorporating the risks of political instability in different regions of the country, managers were able to strategically plan their course of action. Although many managers admitted that their planning had not prepared them for when the country experienced war in 2006. Analysing and planning to enter the environmental context could highlight an increase of resources (Husted et al., 2016). Failure to recognise the necessary capital and infrastructure needed could result in losing vast amounts of investments (Ansoff and Sullivan, 1993; Whittington et al., 2017). Consequently, a thorough assessment needs to be carried out concerning whether a firm can withstand the increase of not only financial cost but also social cost due to conflict (Anderson et al., 2010).

As recognised earlier in the chapter, operating within a conflict zone increases the need for ethical considerations (Lujala, 2010; Berman et al., 2017). As Idemudia (2010) expresses, firms must be cautious when selecting their strategy to insure that they do not contribute to the conflict. Therefore, a consideration of ethics is a necessary contribution to the *strategic context* when firms review the direction in which they intend to move.

3.4.2 Step two - Formulation

Following a situational analysis, the formulation of strategy can be based on industry experience. Farjoun (2002) states that strategy formulation is exposed to external influences. Which external influence that can affect a firm's strategic decision is dependent upon the degree of legitimacy (Henisz and Zelner, 2005; Scherer, Palazzo and Seidl, 2013). As Drori and Honig (2013) highlight, firms form a cognitive filter as a method of legitimisation. The nature of conflict can attract external influences different to those of a stable economy, such as human rights regulatory organisations (Desivilya and Yassour-Borochowitz, 2008). Thus, within the formulation stage, a firm would need to recognise the strength of an external influence prior to implementing strategy, incorporating their views beforehand. Kassinis and Vafeas (2006) highlight that a firm would be forced to change its actions if certain external influences are underestimated. This could potentially cost time (Galbreath, 2010), finance and brand image (Kantz, 2008; Meyer and Thein, 2014).

Kraemer et al. (2013) demonstrate a meso level of analysis, reviewing the change of influential power in strategic decision-making due to NGOs. MNC Vedanta Resources had begun operations to extract bauxite in Niyamgiri, North India. Plans were created without including the views of local stakeholders. Sharing the same region as a small tribal habitat, business operation was harming their lifestyle by contaminating their source of water and damaging their ecology. As a result, local residents, local government and NGOs Action Aid and Survival International created an anti-corporate social movement. Despite the consistent attempt to change the firm's strategic decision, business operations carried on for many years. Action Aid was able to bring awareness of the situation to the international community by designating a key spokesman to report their findings. This contributed to Vedanta Resources losing a large investment, which had a negative impact on their brand image.

In further examination, from a micro level of analysis it has been seen that individual activism can influence firms' decisions, particularly when mobilised into social movements (Rao, Morrill and Zald, 2000). This is because an individual can become an icon, representing a wider audience who share the opinion (Gibson and Mollan,

2012; Kraemer et al., 2013). Individual activism was also shown to influence Vedanta Resources with the rise of a local tribal youth activist named Jika (Kraemer et al., 2013). Studies have recognised however, that firms can strategically react to such external pressures by engaging in ‘astroturfing’; the ability to disguise actions with social initiatives and appear to have gained local support organically (Soule, 2012; Kraemer et al., 2013). With the case of Vedanta Resources, after many years speaking against the firm, Jika had suddenly taken a change of action siding with the company. Jika had started speaking positively of the firm’s actions. The study could not establish a reason as to why Jika had changed sides (Kraemer et al., 2013). Nevertheless, Cuervo-Cazurra (2016) highlights how this context of study can be difficult to fully understand due to the sensitivity of the matter and corporate covert practices. Research is limited into which individual actors within NGOs can influence firm strategy (Galbreath, 2010; Oetzel and Getz, 2012) providing further rationale to understand the micro level phenomena.

The importance of NGO collaboration within the formulation of strategy has been recognised (Kolk and Lenfant, 2012). If NGOs can gain an understanding of the firm’s need to enter a conflict zone they can positively engage (Teegen et al., 2004). As firms possess the ability to create sustainable peace in conflict zones, NGOs can work in line sharing resources and knowledge (Oetzel et al., 2010). However, as seen earlier within the review many cases show NGOs disagreeing with the actions of firms and thus they tend to change their actions. Additionally, the way firms respond to conflict can also change dependent upon the scenario (Oetzel and Getz, 2012). Therefore, a contextual application is needed to comprehend a specific phenomenon (Cordeiro and Tewari, 2014).

3.4.3 Step three and four - Implementation and Evaluation

As recognised in chapter two, the way in which firms implement their strategy would involve undertaking a set of activities to execute their plan (Wheelen and Hunger, 2012). The *Implementation* step of the strategy process can be a standalone field of study due to the need of precession (Lee and Puranam, 2015). Jamali and Mirshak (2010), however revisit forms of engagement strategies when firms are subjected to

conflict. These could be taken into consideration during the implementation of strategy. Table 3.1 highlights possible engagement strategies.

Table 3.1: Forms of business engagement in conflict zones

Engagement Strategies	Description
Advantage strategy	Taking advantage of the economic opportunities of war
Withdrawal strategy	Exiting the conflict location
Business as usual strategy	Abiding by the new social constructs and fluctuations in legal regulation
Proactive engagement strategy	Contribution to public security, peace building and social initiatives

Adapted from Wolf, Deitelhoff and Engert (2007).

Table 3.1 provides a basic overview of options available for a firm within a conflict zone. Nevertheless, Jamali and Mirshak (2010) and Wolf et al. (2007) recognise that these strategic choices do not fully reflect strategy-in-practice. This is due to many factors that would contribute to the strategic decision such as the degree of conflict and available resources. Nevertheless, research has contributed to some of these basic strategies (Boge et al., 2006; Meyer and Thein, 2014; Nelson, 2000). Each study highlights how firms change their strategic implementation within conflict zones. For example, American oil firms Texaco and Arco decided to withdraw from Myanmar (formerly Burma) due to economic instability (Nelson, 2000). However, Boge et al. (2006) emphasise that some firms withdraw from a conflict zone unwillingly due to external pressure from interest groups. Arco was forced to leave Myanmar after facing strong pressure from activist NGO ‘Free Burma Coalition’ (Meyer and Thein, 2014). As a result of this external pressure, Arco’s business declined, not being able to regain their \$55 million investment on the project (Meyer and Thein, 2014).

Oetzel and Getz's (2012) study recognises the high cost incurred for firms to withdraw at the break of conflict. The findings from the study suggest that it would be in the firm’s best interest to proactively engage in and contribute to peace-building activities (Oetzel and Getz, 2012). This could be in the form of mediation

and hosting negotiations with conflicting parties. An American oil mining company utilised this strategy to bring together two political parties, African National Congress and the South African government, between 1984 and 1990. Negotiations were eventually agreed in Zambia (Oetzel and Getz, 2012; Oetzel et al., 2010). These examples show that firms would need to assess which engagement strategy works best in responding to the external environment, whether being caught amidst the reason of conflict or institutional pressure. These decisions would need to be incorporated alongside the firm's strategy implementation activities.

Following an implementation of strategy it was seen that firms move to *Evaluation*, examining their performance and stakeholder review. From a meso level of analysis, within conflict zones firms are exposed to institutional pressures from NGOs, thereby questioning firm integrity (Kolk and Lenfant, 2012). Hence, firms need to prepare for external interruption from multiple stakeholders (Sarkis et al., 2010). Some reasons as to why an NGO would want to intervene have been recognised, such as disputes (Feil, 2012) or peace-building activities (Hönke, 2014; Katsos and Forrer, 2014). An evaluation of the stakeholder review would support a firm in the earlier planning stages, enhancing their strategy (Farjoun, 2002; Grant, 2003). Other external groups that operate within a conflict environment would also threaten the business activity (Abadie and Gardeazabal, 2008).

Groups such as terrorist organisations can increase business risk (Chen and Siems, 2004). Guidolin and La Ferrara (2010) state that these risks could evolve within the *Evaluation* stage of the strategy process, forcing the firm back to the planning stages to re-formulate. Though many firms within conflict zones are not direct targets of conflict, operating in close proximity can lead to a change in strategic decision (Abadie and Gardeazabal, 2008). Research by Dai et al. (2013) suggests that a firm's decision to 'stay or exit' from a conflict zone would be dependent upon the level of threat they would receive. Thus, a firm needs to evaluate the impact of specific stakeholders (Husted et al., 2016). These insights in turn could inform different stages of the strategy process, such as deciding an engagement strategy in response to an external demand (Jamali and Mirshak, 2010). In gaining feedback from the stakeholder review, the subsequent cycles of the strategy process can be enhanced.

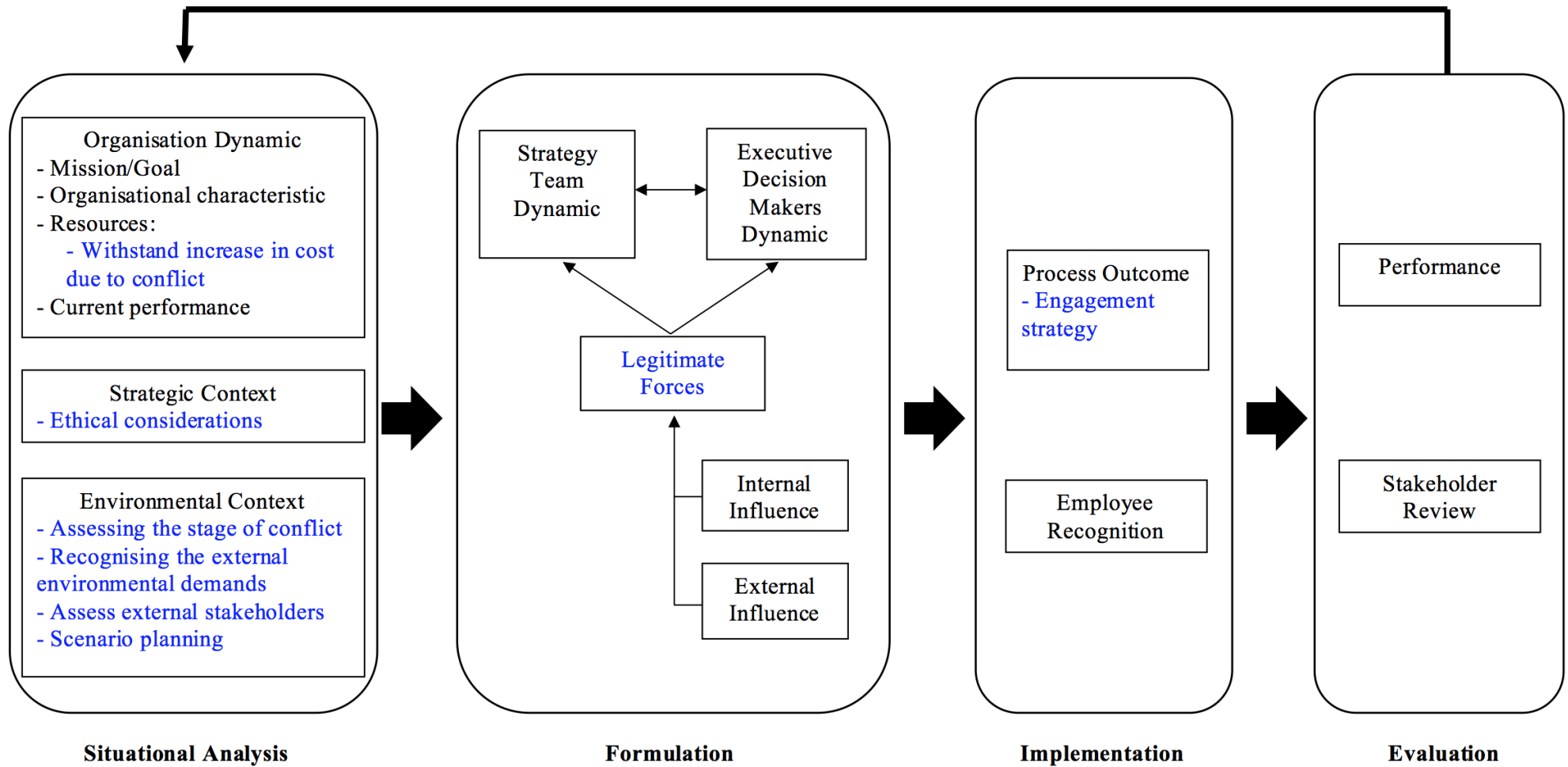
It has been argued that the firm's capability to absorb sudden shocks such as terror attacks is linked to the firm's extensive experience in such environments (Darendeli and Hill, 2016). Research has also shown that the negative effects of terrorism can span wide geographical areas (Oh and Oetzel, 2017). Czinkota et al. (2010) show how international business has become a more attractive target, affecting business operations directly and indirectly. During conflict, firms' ability to prolong their stay is dependent upon firm resilience (Dai et al., 2017). Though the degree of conflict may vary by area, it is possible that a whole region can be affected. Thus, firms are more cautious when investing in conflict-prone regions such as the Middle East and North Africa (The World Bank, 2011). Hitt, Li and Xu (2016) argue that research on how MNCs respond to terror attacks still lacks sufficient insight. Nonetheless, due to the constant change of conflict zones firms would have to re-evaluate their position several times in order to survive (Jamali and Mirshak, 2010). As a result, with real-time information gained in the evaluation stage, firms would need to repeat the strategy process more frequently (Farjoun, 2002). Bullough et al. (2014) state that by continuous learning of how to operate within adverse conditions firms could eventually build entrepreneurial resilience to a region.

To summarise this section, Figure 3.2 illustrates the development to the conceptual strategy process framework seen in chapter two. The macro level of analysis focuses on the firm, understanding changes to the strategy process. By setting this macro platform, it was possible to understand the impact of NGO influence at a meso level and individuals involved at a micro level of analysis. Within the *Situational analysis* step of the process, the literature has shown the impact of a conflict zone, represented as the environmental context. A firm would first benefit by recognising the stage of conflict that a region is experiencing (Woocher, 2009). Assessing the stage of conflict would support consideration concerning whether to enter a region (Driffield et al., 2013). A firm would also need to understand the demands of the external environment (Grant, 2003) as well as assessing external stakeholders that could impact business operations (Sarkis et al., 2010). To assist organisations to prepare for the constant change of events in turbulent environments, firms conduct scenario planning (Phadnis et al., 2015). Due to these considerations in the environmental context, firms need to ensure that they can withstand the increase in costs due to conflict. Furthermore, given the nature of conflict, consideration of

ethics is a necessary contribution to the *strategic context* when firms review the direction in which they intend to move.

Subsequently, the *Formulation* step of the strategy process recognises external influences on strategic decision-making. However, the degree to which this affects strategic decisions would be dependent upon firm-based legitimacy (Henisz and Zelner, 2005; Scherer et al., 2013). Firms are not only subjected to influence from NGOs (Kolk and Lenfant, 2012), but also local demands (Gimbert et al., 2010) and terror groups (Czinkota et al., 2010). Therefore, firms have an internal legitimacy filter to weigh importance and threat levels against firm strategy. Additionally, the literature has contributed to the *Implementation* step showcasing different engagement strategies a firm could use in response to conflict arising. Given these insights, the literature has partially informed an understanding of how a conflict context can change the strategy process.

Figure 3.2: Conceptual strategy process framework in conflict zones



3.5 Limitations in the Strategy Process Literature

In understanding the underpinnings of the strategy process, it was evident that contextual application was necessary (Shepherd and Rudd, 2014). This is because several functions of the strategy process are governed by the environmental context (Nadkarni and Barr, 2008). Therefore, to gain clarity this chapter has attempted to integrate insight of how businesses operate in conflict zones into the strategy process framework. In conclusion, three key areas remained unclear, which this thesis aimed to address.

Firstly, there was a limitation on the macro perspective in contextualising a firm's strategy process for conflict zones. It was noted that conflict zones could complicate business operations due to instability increasing risk for investment (Driffield et al., 2013; Berman et al., 2017). As a result Floyd and Lane (2000) argue that firms need to create a comprehensive plan within the strategy process. However, there appeared to be an empirical limitation to understand how the strategy process changes within a conflict zone. The literature was vague in describing which key indicators firms utilise when considering entering an area of instability. The business management literature shows how firms react to violent conflict (Jamali and Mirshak, 2010; Oetzel and Getz, 2012) and respond to institutional demands (Delmas and Toffel, 2008). However, these contextual findings have been ignored within the strategy process narrative with regard to how the process changes. Additionally, within unstable geographical environments, strategy planning is increased due to sustainability arguments (Kolk, 2015), regulation (Desivilya and Yassour-Borochowitz, 2008) and pressure to engage in social aid (Oetzel et al., 2010). Therefore, when contextualising the strategy process to conflict zones, literature had also not acknowledged the placement of institutions. Where the literature had partially informed a conceptual strategy process framework for conflict zones, further empirical enquiry was necessary to ascertain which indicators firms use in planning.

Secondly, on a meso level of analysis there appeared to be limitations in recognising how non-political institutions, such as NGOs, gain their power to influence the

strategy process. The literature shows that NGOs possess the ability to influence firm strategy and, in certain scenarios, MNCs benefiting by partnering with NGOs (Doh and Teegen, 2002; Henisz and Zelner, 2005; Stevens et al., 2016). However, it was vague as to how external organisations could pass the legitimacy filter shown within the conceptual framework and gain power to obstruct the firm's underlying principles. Institutional theoretical explanation was required to understand these external influences on strategy (Whittington, 2007; Den Hond et al, 2015).

Finally, the strategy process literature needed further development to understand individual actors at a micro level of analysis (Burgelman et al., 2018). It can be seen that external influences can affect strategic decision-making within the *Formulation* and *Evaluation* phases. Individual actors, who possess differing values to the firm, have the ability to mobilise social movements in turn influencing firm strategy (Rao et al., 2000). However, it was not clear as to which individual actors within NGOs have the ability to pass firm legitimacy filters and enter strategy-making discussions. Institutional theoretical dimensions were therefore also needed to provide direction to examine agents of change (Peng, 2003).

3.6 Conclusion

The purpose of this chapter was to gain an understanding of the impact conflict zones have on business and the strategy process. A conflict zone was defined as an area of war, insurgency or lawlessness (Anderson et al., 2010). From a macro perspective, the main costs of conflict were economic, political and social (Hoeffler and Reynal-Querol, 2003). The business narrative has associated the term 'turbulent' to an external environment that possess consistent change and instability (Grant, 2003). To overcome instability, firms have had to adapt their business practices (Darendeli and Hill, 2016). This raised questions of legitimacy and ethics (Kantz, 2008; Bieri, 2010). To integrate the insights of business operations in conflict zones, the conceptual strategy process framework had been developed.

Within the *Situational analysis* step of the process, the literature shows the impact of a conflict zone, represented as the environmental context. A firm would first benefit

by recognising the stage of conflict a region is experiencing (Woocher, 2009). Furthermore, a firm would also need to understand the demands of the external environment (Grant, 2003) as well as assessing external stakeholders that could impact business operations (Sarkis et al., 2010). Additionally, scenario planning was included as firms plan for potential events (Phadnis et al., 2015). Given these considerations, firms need to ensure that they can withstand the increase in costs due to conflict. Furthermore, ethical considerations were shown necessary to be included within the strategic context. The *Formulation* step of the strategy process illustrates that external influences have to pass a firm legitimacy filter. Firms are not only subjected to influence from NGOs (Kolk and Lenfant, 2012), but also local demands (Gimbert et al., 2010) and terror groups (Czinkota et al., 2010). Therefore, firms have an internal legitimacy filter to weigh importance. Moreover, the literature shows the different engagement strategies firms could use in response to conflict arising, represented within the *Implementation* phase.

Three limitations of literature were articulated. Firstly, though the business management literature has partially informed the conceptual framework, it was not fully clear as to how the strategy process changes within a conflict context; particularly when understanding which key indicators firms utilise when considering to enter an area of instability and placement of institutions. Secondly, there was a limitation in the strategy process narrative to recognise how non-political institutions, such as NGOs, can pass the legitimacy filter and gain power to join the strategy-making discussion. Finally, further development was needed to recognise micro actors that influence the strategy process. Institutional theoretical insight is needed to understand the phenomena of organisational influence on strategy (Peng, 2003; Whittington, 2007; Den Hond et al., 2015). The next chapter introduces the theoretical lens of the study.

CHAPTER 4

AN INSTITUTIONAL THEORETICAL PERSPECTIVE: NGOS' INFLUENCE ON FIRM STRATEGY

4.1 Introduction

This chapter introduces the theoretical lens, which can be applied to NGOs' influence on firm strategy. The aim of this study was to understand how the strategy process is influenced by social institutions within an unstable context. The previous two chapters of this literature review have analysed the strategy process, which is further applied to the context of conflict zones. As recognised, theoretical insight is needed to understand the phenomena of organisational influence (Delmas and Toffel, 2008; Banerjee and Venaik, 2017). With regions becoming increasingly crowded with organisations, firms are constantly influenced by stakeholders (Askari, 2012; Cordeiro and Tewari, 2014). It is therefore important to understand the complexity of organisational influence with the use of a theoretical framework that can explain this phenomenon.

Institutional theory has been identified as an appropriate theoretical lens to understand NGO influence on business strategy (Teegen, 2003; Vachani et al., 2009; Zald and Lounsbury, 2010). North (1990: 3) states that institutions can be understood most generally as "the rules of the game". This adds relevance to the study of NGOs due to their ability to set guidelines to a wider community within an operational environment (Werker and Ahmed, 2008); for example, social movements encouraging mutually beneficial trade deals with suppliers in developing countries (Dahan et al., 2010) or regulating corruption (Cuervo-Cazurra, 2016). Key concepts within institutional theory can facilitate an understanding of a NGO's ability to influence firms such as legitimacy and power (Bitektine, 2011; Hudson et al., 2015). Examining these concepts is important in order to comprehend how organisations can gain firm recognition and change strategic decision-making (Pache and Santos, 2010).

From macro level analysis, it is seen that firms establish an internal cognitive legitimacy filter within the strategy process (Drori and Honig, 2013). In fragmenting the strategy process, the meso level of analysis recognises a link between firms and institutional organisations (Jackson and Deeg, 2008). This is particularly the case where firms are exposed to external influences in the *Formulation* and *Evaluation* stages. Hence, the objective of this chapter is to highlight the theoretical literature that informs this study by reviewing how institutions can pass firm filters at the meso level phenomenon. In connection, the review progresses to understand the impact of individual actors within organisations at a micro level (Battilana et al., 2009).

Understanding the nature of organisational influence requires an assessment of key institutional theoretical concepts and the link between them (Suddaby et al., 2017). This chapter will begin by establishing a definition of institutional theory followed by a theoretical understanding of NGOs as institutions. The subsequent section will then review theoretical concepts of legitimacy, power and actors to explain organisational influence. The chapter closes by articulating the limitations of institutional theory.

4.2 Defining Institutions and Understanding Institutional Theory

The terms ‘institutions’ and ‘institutional theory’ have grown within the strategic management literature (Ang et al, 2015; Berrone et al., 2013). The theory has gained attention, particularly over the past three decades, as an approach to understand organisations. Recent literature has seen that organisations have interacted with one another more frequently (Rodríguez-Pose, 2013). Organisations include trading firms, governmental bodies, and interest groups (DiMaggio and Powell, 1991). Furthermore, Teege et al. (2004) state that these organisations connect more within complex contextual environments, such as conflict zones. This highlights the importance of understanding why and how organisations influence one another.

Selznick's (1948) study of organisations recognises the formal rules created by groups within society. These formal constructs include legal systems aimed to provide governance. Organisations are seen as an arrangement of personnel with

given responsibilities, directed to achieve a collective agreed purpose (Selznick, 1948). The term ‘institutions’ within organisational studies became more apparent in later literature (North, 1990). This was because the field of study initially did not account for the social setting (Selznick, 1996). Successfully, the past three decades have advanced in the study of organisations into institutional theory (Doh and Guay, 2006).

North's (1990: 3) simple analogy of institutions as “rules of the game” provides a basic but clear explanation. This statement has been interpreted as a setting of rules and regulations which ‘players’ of the game – such as firms – would have to abide by (Peng, 2003). North (1991) further progresses to highlight how institutions create both formal and informal constraints, which determine social behaviour. For example, institutions can create constitutions and laws (formal constraints) as well as taboos, customs and codes of conduct (informal constraints) (North, 1991). This coincides with Oliver’s (1991) understanding of institutions as regulatory structures, such as governmental bodies and legal systems. These characterisations suggest that institutions are structured bodies initiated by social intervention.

Given the themes demonstrated in these perspectives, an appropriate definition of institutions is “regulative, normative, and cognitive structures and activities that provide stability and meaning to social behaviour” (Scott, 1995: 33). Hence, institutions play an influential role in determining what is accepted as social behaviours (Meyer and Rowan, 1977). Scott’s (1995) definition argues how institutions have three ‘pillars’. The first regulative pillar describes institutions as enforcement mechanisms, establishing formal rules such as laws (North, 1990). Examples of a regulative institution include national government bodies, each setting rules as per their country’s economic and social requirements (Bruton et al., 2010). The second normative pillar is based on morality and ideal social norms (Scott, 1995). Normative institutional influences can derive from professional organisations aiming to set standards for a certain group of members (Scott, 2005). For example NGOs encouraging firms to reduce their pollution, in return gaining an environmental accreditation (Berrone et al., 2013). The third cognitive pillar refers to taken-for-granted beliefs (DiMaggio and Powell, 1983). A cognitive stance describes values which are internalised at an individual level (Martin, 2014). These values

could therefore be different between individuals, questioning relevance and need for compliance (Abdelnour, Hasselbladh and Kallinikos, 2017). These three pillars demonstrate how institutions can operate. Analysing institutions can provide a clearer perspective of an institutional setting, which can dictate strategic behaviour for firms (Martin, 2014). An assessment of how institutions operate has therefore contributed to the development of a theoretical framework.

The early review of organisations focuses on the regulation of society through formal systems (Selznick, 1948). Selznick (1996) later categorises these insights as old institutionalism. The beginning of modern institutionalism arose by questioning how these formal organisations work in line with social rules (Meyer and Rowan, 1977). Meyer and Rowan (1977) attempt to explain this, depicting an understanding where by organisations have become ‘institutionalised’. Institutionalisation involves “social processes, obligations, or actualities that come to take on a rule-like status in social thought and action” (Meyer and Rowan, 1977: 341). In other words, organisations have generated a systematic approach to administration with orderly, stable processes (Selznick, 1996). This coincides with North (1990), who states the term ‘institution’, referring to a set of formal rules. These rules such as regulatory structures and laws can administer conformance pressures within an organisation (DiMaggio and Powell, 1983). However, Selznick (1996) reiterates that institutions also possess informal norms in the way they operate, highlighting the social intervention of new-institutionalism. This can be seen particularly with an individual’s power relations (Tolbert and Zucker, 1996) and internal or external relationship building (Ang et al., 2015; Oliver, 1991). To gain a comprehensive understanding of institutions, further empirical enquiries can benefit from a multilevel assessment understanding the macro, meso and micro phenomena of influence (Hitt et al., 2007; Bitektine and Haack, 2015).

New or Neo-institutional theory suggests that organisations are influenced in their strategies by their institutional setting (Doh and Guay, 2006). An institutional setting establishes the rules and norms by which organisations have to abide (Meyer and Rowan, 1983). Scott (2014) reiterates showing that institutional theory is centralised around how institutions provide an authoritative guideline for social behaviour. These institutions could be governmental bodies setting a legal framework or special

interest groups such as NGOs (Zald and Lounsbury, 2010). Organisations such as firms would therefore have to operate within the means set by the institutions. However, in an environment with many organisations each can be influential to one another (Vachani et al., 2009).

Baur and Arenas (2014) argue that some organisations would be more influential than others. Given the nature of this thesis, it is important to also recognise that countries with weak government institutions cannot fully regulate activity within their country (Addison, 2003). As a result, the rise of unethical business practices such as corruption have risen (Cuervo-Cazurra, 2016). NGOs have become social regulatory bodies in such situations (Hudson, 2001). This example raises the discussion of how institutional theory has developed concepts to understand how firms recognise and respond to organisations such as NGOs. However, prior to examining a theoretical perspective of influencing firm strategy, it can be beneficial to understand a theoretical perspective of NGOs as institutions. Contextual applications can provide platforms to support discussion of theoretical concepts (Michailova, 2011; Welter, 2011).

To summarise this section, institutions are systems which dictate social behaviour through formal and informal constructs (North, 1991). Organisations that operate within the institutional setting have to abide by the rules established by institutions (Oliver, 1991). Scott (1995) categorises institutions into regulatory, normative and cognitive pillars. Each pillar represents how the institution operates either through legal mechanisms, ideal social norms and accreditation or internalised values. Institutional theory has grown within strategic management narratives, recognising some complexities between firm strategy and NGOs (Ang et al., 2015; Berrone et al., 2013). The institutional setting for MNCs has become complex due to the rise of non-market external pressures (Vachani et al., 2009). These external pressures could have risen due to firms overseeing rules and norms set by institutions (Baur and Arenas, 2014). To understand this phenomenon of organisational influence, further empirical enquiries can benefit from a multilevel analysis (Hitt et al., 2007). The developed concepts within institutional theory can support an understanding of how NGOs can gain firm recognition and potentially influence strategic direction.

However, prior to examining a theoretical perspective of organisational influence, understanding NGOs as institutions can provide a contextual background.

4.3 Theoretical Understanding of NGOs as Institutions

NGOs can be seen as institutions (Doh and Teegen, 2002; Hollensbe et al., 2014) because they possess the ability to set a social rule (Zald and Lounsbury, 2010) and bridge the public and private sectors together (Teegen, 2003). For different causes, NGOs favour societal objectives rather than commercial interests (Werker and Ahmed, 2008; Hollensbe et al., 2014). Werker and Ahmed (2008) elaborate, stating that NGOs operate for a social service. This is aligned with Teegen's (2003) understanding that NGOs facilitate exchanges to add value within society. With reference to Scott's (1995) institutional pillars, NGOs can therefore be seen to take a normative or cognitive approach. As NGOs are non-political institutions, a normative approach would aim to regulate activity through professional accreditation and education such as the World Bank, World Trade Organisation or the Fair-trade movement (Dacin, Goodstein and Scott, 2002; Porter and Kramer, 2011). Alternately, cognitive NGOs would function with culturally-based beliefs and social expectations such as promoting standards in business ethics or humanitarian work (Rauh, 2010; Baur and Arenas, 2014). These social expectations are fundamentally targeted to an individual level of activity (Cordeiro and Tewari, 2014). Hence, NGO influence on firms can be recognised at the meso level, as well as the impact on individuals at the micro level. Recognising these two classifications of NGOs (normative and cognitive) can provide direction to which types of organisations could influence firm strategy. However, Kantz (2008) also shows that some NGOs aim to influence governmental bodies (regulative pillar) to achieve their goal. Hence, empirical investigations on organisational influence would need to take into account NGOs' motives and recognise the different methods to influence firm strategy.

Recognising the increasing strength of NGOs, firms are becoming more cautious in their strategic action and selecting their institutional setting (Arregle et al., 2013). Den Hond et al. (2015) show that firms have been provoked by NGOs to cooperate when questioned about their business practises. As NGO institutions are highly

trusted by society, they can represent social movements (Hollensbe et al., 2014; Friedland, 2018). These social movements have the ability to influence business operation as well as change the brand image of organisations through their investigations (Vachani et al., 2009; Lu et al., 2013). Therefore, firms have started to recognise the efficiency to utilise the NGO's resources within their strategic implementation rather than ignoring the NGO's cause (Den Hond et al., 2015).

The concept of social movements has emerged within neo-institutionalism (Schneiberg and Lounsbury, 2008). Schneiberg and Lounsbury (2008) have attempted to showcase how institutions such as NGOs have been classified as infrastructures of change. In other words, social movements are institutional forces, which aim to regulate how other organisations operate, for example, environmental interest groups (Baur and Arenas, 2014). Battilana et al. (2009) suggest that social movements gain authority through collective mobilisation, where many individuals share the same interests. Prior studies attempt to examine the impact of collective power gained through social movements on business functions (Rao et al., 2000). For example, Suddaby, Cooper and Greenwood (2007) show how NGOs, though not being able to enforce legal restrictions, could influence international trade deals. It was recognised that socially based influences would benefit operating at multiple levels. Influencing governmental authority could change macro firm level processes, further benefiting challengers to stimulate change at an individual level (Davis and Greve, 1997; Vogus and Davis, 2005). Hence, NGOs can be recognised as operating at the meso level, bridging macro and micro activities.

In showcasing the advances in the institutional literature, Greenwood et al. (2008: 24) still advocate that institutional work has remained "stubbornly silent" on social power. Therefore, further investigation into NGOs as a research subject would develop theoretical understanding on influencing firm strategy; particularly where interest has grown to understand the complex relationship of organisations and their institutional context (Greenwood et al., 2017).

As seen within a conflict context, NGOs enforce a social expectation upon firms who may be seen to violate international expectation (Claasen and Roloff, 2012). This has been the case with firms extracting natural resources by unethical means (violation of

human rights) (Claasen and Roloff, 2012; Idemudia, 2010). Institutional theory has explored transnational institutionalism within globalisation (Fremeth and Shaver, 2013). It has been argued that institutions take on the responsibility to govern activity, which may breach social expectation (Hudson, 2001). The motive to regulate is seen with NGOs, particularly due to their socially driven objectives. Berrone et al. (2013) argue that governmental bodies must exert regulatory pressure. Conversely, Meyer and Thein (2014) contest highlighting governments can only enforce a certain level of regulation. Other interest groups would need to also apply pressure to set the social expectation (Den Hond et al., 2015). For example, the energy firm Enron faced challenges when building their electricity factory in India, as they did not incorporate the views of local stakeholders (Cummings and Doh, 2000). Through external pressure and change of government, Enron had to revise their building plans in line with governmental regulations, working with representatives of farmers and ecologists. This example provides further rationale to apply institutional theoretical concepts to NGOs due to their strength as an external influence on firm strategy. An institutional setting can be created by legal systems (regulative pillar) and NGOs, which could take a normative or cognitive approach (Scott, 2005). These institutions regulate some aspect of society (Teegen, 2003). Peng (2003) articulates that institutions therefore would shape the strategic entry for FDI. NGOs could influence firm strategy by questioning business operations, which may not be in line with social expectations.

Within conflict zones, it has been seen that due to weak governing bodies, firms and governments have been able to operate against social expectation, engaging in unethical business practices such as corruption (Alesina and Weder, 2002; Gambardella et al., 2016). NGOs have therefore attempted to regulate in such situations (Cuervo-Cazurra, 2016), which can foster negative publicity for those being assessed (Meyer and Thein, 2014). Alternatively, within the same operational environment, other NGOs have attempted to influence firms to finance social projects (Pache and Santos, 2010) which has been seen to benefit a firm's brand image (Marano and Kostova, 2015). These two scenarios raise the question of how firms' select the NGOs with which to respond and how NGOs gain power to influence firm strategy (Hudson et al., 2015). To comprehend the phenomena of organisational influence, the theoretical concept of legitimacy needs to be examined

(Bitektine and Haack, 2015). Understanding legitimacy within context would further support how NGOs can gain power to influence strategic decision-making and the role of individual actors (Abdelnour et al., 2017). The next section reviews a theoretical perspective of influencing firm strategy.

4.4 Theoretical Perspective of Influencing Firm Strategy

A firm's strategic decision-making is governed by several factors (Fredrickson, 1986; Mitchell et al., 2011). The literature shows both internal (Ahearne et al., 2014) and external (Vachani et al., 2009) influences on firm strategy. However, more recent discussions within management have enquired further into institutional contexts (Arregle et al., 2013; Balogun et al., 2014). This is beyond the political institutional framework commonly referred to (Mtar, 2010), assessing the importance of social institutions such as NGOs, entrusted by society (Hollensbe et al., 2014; Greenwood et al., 2017).

Zald and Lounsbury (2010) discuss how firms must operate with the local ideologies of the wider society. By not working in line with social trends, firms can be challenged by institutions (Den Hond et al., 2015). For example, an organisation must pay salaries to its employees which meet citizens' expectations and governmental taxes (Oliver, 1991). This common understanding of what is an appropriate behaviour must be in line with both firms and institutions. However, Seyf (2001) stresses that internationalisation and an expansion of open media sources have further subjected firms to organisational influence. Hence, firm's strategic actions must not only follow the local norms but also international expectations (Dacin et al., 2002).

Circumstantially, firm's strategic decisions are directed to change by institutions due to the firm not understanding the social expectation (Cummings and Doh, 2000). By not abiding to social expectation, firms willingly or unwillingly comply with institutional pressures. Along with economic constraints, firms are subjected to work within an institutional setting (Peng, 2004). Furthermore, Peng et al. (2009) explain that firms are engaged in a three-way interaction which includes industry trends,

firm-specific resources and institutional constraints. Consequentially, the institutional setting can be a major influencer in strategic action (Lu et al., 2013). When examining NGOs' influence on firm strategy, there are three key theoretical components of institutional theory that need to be understood in relation to the context of this study. These include legitimacy, power and actors. Understanding these theoretical constructs is necessary to comprehend how NGOs could influence firm strategy (Greenwood et al., 2017).

4.4.1 Legitimacy to influence

The existing literature has shown that firms are influenced within an institutional setting (Marano and Kostova, 2015). However, as recognised from a macro perspective, firms have set an internal legitimacy filter within their strategy process to screen external influences (Drori and Honig, 2013). The extent to which an external influence can affect a firm's strategic decision-making is dependent on legitimacy (Dacin et al., 2008; Peng et al., 2009). Suchman's (1995) review on the concept of legitimacy states that many studies refer to the concept but fail to justify its meaning. Being central to the institutional literature and studies on organisations (Hudson et al., 2015; Stevens et al., 2016), it is important to understand what legitimacy means and how it is used within a study of MNCs and NGO relationships. Suchman (1995: 574) defines legitimacy as "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions". If an organisation is therefore perceived as legitimate, they would possess importance (Baur and Arenas, 2014). In turn, this would strengthen their ability to influence, demonstrating relevance to understand legitimacy within this study. Wry et al. (2013) further state that legitimacy can only be recognised by the assessor having a higher standpoint than the organisation or action being assessed. This builds on the notion that legitimacy can be subjective when organisations seek to gain or maintain a legitimate status (Deephhouse and Suchman, 2008).

Legitimacy is an important concept within institutional theory as it explains why some external influences dictate strategic change over others (Gifford et al., 2010;

Oliver, 1991). Any external force attempting to influence a firm must provide relevance to their aims and objectives (Kostova et al., 2008). Consequently, only if an external force is perceived as resourceful, could they affect the workings of an organisation (Zald and Lounsbury, 2010). Meyer and Rowan (1977) concur, suggesting that organisation can increase their legitimacy by following the social procedures and practices. If an external influence does not comply with such social rules they would be seen illegitimate and have little relevance to a firm. To understand how NGOs can gain legitimacy from a meso level of analysis there are three areas, which can be approached to gain further clarity. These are to understand the subjects of legitimisation, types of legitimacy and sources of legitimacy (Greenwood et al., 2008).

Subjects of legitimisation are organisations, objects or actions that are being assessed for acceptability (Suddaby et al., 2017). As not all institutions operate in the same manner, firms can legitimise subjects differently (Rodríguez-Pose, 2013). For example, a governmental body would enforce legal obligations (Selznick, 1996); therefore, firms become the subjects, having to incorporate legal structures within their plans (Stevens et al., 2016). Conversely, NGOs can operate in both collaborative and activist ways aiming to influence business operations (Vachani et al., 2009). Therefore, NGOs could become a subject of legitimisation when firms assess the motive of influence. Subsequently, as recognised earlier, firms can also gain legitimacy by collaborating with NGOs, as NGOs are entrusted by society (Darendeli and Hill, 2016). This is however based on the assumption that NGOs operate in a professional manner, as cases have shown NGOs becoming illegitimate due lack of competence (Rauh, 2010). The scandal case of Oxfam provides a clear example, whereby the charitable organisation was accused of sexual misconduct during an operation in Haiti (BBC, 2018). As a result, understanding the relationship between MNCs and NGOs can be complicated, as both organisations could become the subject of legitimisation. When studying organisations, particularly within the context on conflict zones, it is therefore necessary to gain both MNC and NGO perspectives. This would aid understanding as to why firms would engage with some NGOs and not others. Uncovering the typologies of legitimacy would provide greater understanding of social influence (Bitektine, 2011).

Suchman (1995) argues the concepts of strategic legitimacy and institutional legitimacy. The first type implies that organisations can influence actors in a strategic sense to achieve an organisational goal. The second type refers to how organisations can gain legitimacy through applying social and cultural expectations. These divisions become further categorised to pragmatic, moral and cognitive types of legitimacy (Suddaby et al., 2017). A pragmatic approach offers a mutual benefit, where by both constituents would gain favourable exchanges (Bitektine, 2011). Dahan et al. (2010) argue that for NGOs to collaborate with MNCs this practical approach would be successful to influence the business model. Moral legitimacy suggests that organisations gain credibility through promoting social values which are recognised to benefit a society (Deephouse et al., 2017). For example, firms would legitimise NGOs engaged in promoting ecological accreditation on moral grounds (Doh and Guay, 2006). Consecutively, a cognitive form of legitimacy describes symbolic language and cultural beliefs (Lounsbury, 2001), such as what is regarded as ethical business in the mining industry (Gifford et al., 2010). Nevertheless, operating within complex environments, firms are subjected to multiple influences (Maitland and Sammartino, 2015). It can be difficult to access which types of legitimacy are being applied when multiple organisations are attempting to influence the strategy process (Henisz and Zelner, 2005). To gain further clarity on the authority of influence, understanding the sources of legitimacy also needs to be approached (Suddaby et al., 2017).

Sources of legitimacy imply how authority can be gained to make assessments and influence decisions (Ruef and Scott, 1998). Additionally, Meyer and Scott (1983) suggest that the source of legitimacy would be linked to those that can confront organisations with cultural authority. In this sense, the groups that can influence would be dependent upon the organisation themselves and the individuals concerned (Bitektine, 2011; Deephouse et al., 2017). Hence, an empirical enquiry would not only need to review the source of legitimacy for NGOs to pass firm filters (meso level), but also further examine which type of individuals are involved (micro level).

Greenwood et al. (2008) showcase that the basic forms of sources are those that possess social standing and licence (e.g., government bodies) or collective authority of what is acceptable (e.g., accountants). Insight into NGOs shows that influential

ability could be gained through collective social movements (Kraemer et al., 2013). Equally Battilana et al. (2009) demonstrate the importance to investigate individual actors who could gain a legitimate status and become agents of change. These standpoints suggest the sources of legitimacy are context-driven operating at multiple levels. However, given the complexities of adverse environments (such as conflict zones), firms have become cautious towards all external influences, tightening the process of legitimisation (Scherer et al., 2013). From a macro firm perspective, the previous chapter recognised the placement of a legitimacy filter within the strategy process. Within a conflict context it is vague as to what source of legitimacy NGOs need in order to pass firm filters. Further empirical enquires would need to recognise the source of legitimacy for NGOs within a conflict zone to pass firm filters at a meso level of analysis. In further examination, institutional legitimacy must also be recognised from a micro perspective interlinked to the theoretical concept of actors (Garud et al., 2007). As Deephouse and Suchman (2008) elaborate, a central issue with legitimacy research is to understand who can provide collective authority in different situations and contexts (Deephouse and Suchman, 2008).

The conceptual strategy process framework for conflict zones, seen in chapter three, illustrates that external influences are filtered through legitimacy, to be considered by decision-makers. A case with Starbucks Coffee Corporation facing issues with an NGO provides an insightful example of legitimacy, explained from a theoretical perspective (Shropshire, Bundy and Buchholtz, 2013). Starbucks was criticised by animal rights NGO PETA for use of a controversial ingredient. Starbucks rated the level of legitimacy based on their main customer base, which was unaffected by the issues raised by PETA. Therefore, Starbucks initially ignored PETA's actions due to the NGO possessing low legitimacy. Starbucks later changed their ingredient source as a symbolic statement. This example suggests that NGOs must acquire legitimacy in line with firm interests to successfully influence change. Lu et al. (2013) coincide stating that firms will strategically respond to institutional pressure to maintain firm performance and protect their reputation with customers.

Activist NGOs campaign in order to generate public support (Soule, 2012). By gaining support from the firm's target market, NGOs raise their influential power (Dahan et al., 2010). Conversely, Bamiatzi et al. (2016) state that firms also have to

gain legitimacy with their customer base. By collaborating with NGOs, firms can be seen to be operating within social means (Teegen et al., 2004). Nestlé is a firm that has been scrutinised for damaging the ecological environment as well as using child labour to produce their goods (Aragón-Correa and Rubio, 2007; Christie et al., 2003). As a result, the company has lost the trust of many global consumers (Aragón-Correa and Rubio, 2007). Nestlé's cocoa activity in Africa aimed to ensure legitimacy was felt with the brand image due to the loss of consumer trust (Aragón-Correa and Rubio, 2007). Nestlé had collaborated with NGOs in West Africa creating initiatives for sustainable farming and improved labour conditions. Consequently, both parties gained value by fulfilling their objectives. This example reinforces the notion that MNCs and NGOs can become assessors of legitimacy. Both parties would evaluate each other depending on what is required (Dahan et al., 2010; Den Hond et al., 2015).

Vachani et al. (2009) share a similar thought, highlighting that firms need to gain legitimacy by collaborating with NGOs. However, there can be different motives for firms that want to adopt social practices (Marano and Kostova, 2015). Marano and Kostova (2015) note that firms would be enticed by NGOs if partnerships could help avoid negative publicity or raise their reputations with socially concerned consumers. For NGOs to influence the strategic decision of a firm, therefore, they must be able to offer a social incentive (Marano and Kostova, 2015). Otherwise, they would have to apply external pressure by threatening their corporate image (Lu et al., 2013). Hence, to fully understand how firms legitimise NGOs it can be beneficial to identify why NGOs want to influence business within a conflict context.

In connection, Boxenbaum and Jonsson (2008) highlight that it may be difficult to understand firm change in heterogeneous environments; a region exposed to multiple institutional pressures. Ambiguity could arise due to legitimacy issues or conflicting institutional demands (Boxenbaum and Jonsson, 2008). The context of conflict zones can be classed as a heterogeneous environment due to the complexities in strategic planning, being subjected to multiple demands (Delmas and Toffel, 2008; Scherer et al., 2013).

Ang et al. (2015) argue that though the cognitive institutional pillar aims to stimulate a mimetic behaviour in organisations, heterogeneous environments are yet to be explored. For example, sports brands Nike, Adidas and Puma have been known to mimic each other when their supply chain has been criticised by civil society (Scherer et al., 2013). Likewise, it has been seen that McDonald's and Nespresso's decision to work with NGO Rainforest Alliance to improve their coffee production was also a strategic move to work in line with institutional expectations (Scherer et al., 2013). However, in a conflict environment it is not clear if a firm changes due to social pressure or competitor imitation. Understanding why firms change due to institutional pressure would support the meso level of analysis in legitimacy (Suddaby et al., 2017).

Gaining legitimacy is one aspect within institutional theory; however as Dacin's (1997) insight indicates, power is needed to enforce change. Munir (2015) stresses that, in more recent reviews on institutional theory, power has become a downplayed factor. With a critical lens, power can be a difficult topic to study due to its moral philosophy (Munir, 2015). Nevertheless, as power is interlinked with legitimacy it is necessary and beneficial to gain an understanding of the construct (Abdelnour et al., 2017).

4.4.2 Power to enforce change

An institution's lifecycle is based on its power to enforce change (Rao et al., 2000). Oliver (1991) responds to an early limitation of institutional work showcasing that institutions can possess power and gain conformity by setting rules and beliefs. However, Fligstein (2001) argues that though legitimacy and power are often linked, new institutionalism lacks attention to institutional power. The notion of power dictates the strength that can enforce change (Peng, 2003). As Lawrence (2008) explains, institutional power would be based on the ability to influence the beliefs, behaviours and opportunities of individuals. In other words, power describes how change is accomplished (Goodstein and Velamuri, 2009). Mtar (2010: 1102) defines power within business as "the capacity of acquiring management to fulfil its strategy as it set out to do". Therefore, given the nature of this study by NGOs passing firm

legitimacy filters, the question remains of how NGOs can enter the discussion with strategic decision-makers. The main argument which could partially inform this question is linked to institutional control (Goodstein and Velamuri, 2009).

Institutional control is not understood by capacity, but rather how institutions can change the behaviour and beliefs of individual actors (Lawrence, 2008). Abdelnour et al. (2017) suggest that institutions can maintain control by influencing the correct type of actors. Therefore, the NGO's power would be reliant on influencing the belief and behaviour of individual strategic decisions-makers (Phillips and Tracey, 2009; Maclean et al., 2014). Hierarchical positions have often been cited to play a role in power dynamics (Bamiatzi et al., 2016; Maclean et al., 2014). Generally from an internal perspective, a hierarchy would determine who would have the authority to direct organisational change (Zald and Lounsbury, 2010). Nonetheless, institutional power has commonly been observed at a micro level, where key individual actors have defined the institutional setting based on their interests (Pacheco et al., 2010); for example, social movements influencing government policies (Pacheco et al., 2010) or exerting power through expertise and control of resources (Belanger and Edwards, 2006).

NGOs can maintain institutional control where firms lack knowledge resource (Dahan et al., 2010). This can explain why firms are compelled to work with local, individual actors when entering uncertain environments such as conflict zones. For example, firms that wish to gain access to a diamond mine (Kantz, 2008) or gold mine (Henisz et al., 2014) would need to operate with local territorial groups who manage the resources or have a connected social network. This corresponds with Kristensen and Zeitlin's (2005) thoughts, further stating that power can be gained through links with external and internal constituents. Hence, firms would be limited unless they can connect with resourceful individuals, having access to a wider community. The literature has shown that firms are more likely to respond to legitimate claims by stakeholders that possess power (Scherer et al., 2013). Where power has been linked as a micro phenomenon (Friedland, 2018), institutional insight is vague in describing how actors can influence macro firm level processes. Particularly, with the complexities of strategy-making in a conflict environment (Grant, 2003), it is vague as to how actors within NGOs can gain the attention of key

strategic decision-makers. Understanding power at a meso level of analysis would support the link between macro firm processes and individual agents of change at a micro level (Rao et al., 2000; Kozlowski et al., 2013).

From a meso level, Vachani et al. (2009) argue that NGOs enforce social expectation on firms in an attempt to form partnerships. Hence, it can be argued that NGOs possess social power to direct strategic change, as they are able to question firm actions (Rao et al., 2000). Through a collective action, NGOs usually represent the interests of many individuals, allowing them to exert greater pressure (Den Hond et al., 2015). In cases where firms may not legitimise an NGO, they could still possess institutional control to direct change due to external support. Where firms could be resistant to this form of institutional control (Lawrence, 2008), the social movement of an institution would enforce particular beliefs and behaviour (Vogus and Davis, 2005). Hudson et al. (2015) explain that some institutions possess the power of emotion to stimulate a collective social force; for example, within the clothing industry some firms have been caught violating human rights (Soule, 2012). As a result NGOs have been able to mobilise collective support from concerned individuals to exert pressure, forcing the company to change their operation. The aspect of emotion can be a major factor of institutionalisation and source of power (Friedland, 2018). However, where NGOs can gain collective power from emotion, a question remains as to how this can disturb a firm's underlying principles. As Suddaby et al. (2007) recognise, there are cases where NGOs have been unsuccessful in changing firm action. Hence, where NGOs can gain collective support, further institutional assessments are needed to review why firms would respond to only certain NGO pressure.

In similar narratives to power, Cummings and Doh (2000) argue that perseverance is needed by stakeholders to influence a firm. The level of 'urgency' would describe "the degree to which stakeholder claims call for immediate attention" (Mitchell et al., 1997: 867). As firms are subjected to multiple stakeholders, for NGOs to influence strategic change they must possess legitimacy, cultural power and/or urgency (Dahan et al., 2010; Doh and Guay, 2006). The essence of power is linked to an institution's ability to endorse certain beliefs and behaviours to the correct actor who can implement change (Abdelnour et al., 2017). However, as recognised within the

previous two chapters, one of the complexities of strategy making was the power dynamics of multiple individuals internal to the firm (Papadakis and Barwise, 2002; Herrmann and Nadkarni, 2014). Hence, there is a need to understand how NGOs can gain institutional control over the underlying principles of the firm; particularly where it has been seen that firms strategically respond where an external influence impacts firm performance (Farjoun, 2002). Lawrence (2008) argues that understanding how firms resist institutional control has been neglected within institutional studies. Therefore, discussions of how NGOs can gain power needs to be contextualised understanding the relationship of MNCs and NGOs at a meso level. Subsequently, the question arises as to which individual actors within institutions possess the ability to influence change (Skaggs and Youndt, 2004; Abdelnour et al., 2017).

4.4.3 Actors within institutions

Reviewing the theoretical concepts of legitimacy and power raises the notion of individual actors from a micro level of analysis (Bitektine and Haack, 2015; Abdelnour et al., 2017); particularly where power is linked to the importance of individual actors in driving institutional change (Lawrence, Winn and Jennings, 2001). As the theoretical concepts are connected, it is important to further examine the impact of actors within institutions who possess legitimacy and power (Battilana and D'Aunno, 2009). To explain the phenomena of individual actors, institutional theory has developed the concept of agency (Abdelnour et al., 2017).

Agency refers to the individuals who “create, transform and disrupt institutions” (Lawrence, 2008: 181). Understanding the different levels of interactions is essential to fragment organisational influence and process (Bitektine and Haack, 2015). From understanding the macro phenomena of the strategy process (Hutzschenreuter and Kleindienst, 2006), reviewing agency can uncover a micro level of analysis (Tost, 2011). Social movements such as NGOs are dependent upon the interests of agency to drive mobilisation (Munir, 2015). As NGOs operate on value-based approaches, the correct agency is required for the success of organisational influence (Vachani et al., 2009). Hence, there is importance in understanding who these actors are and how

they operate. Abdelnour et al. (2017) review of agency states that individuals are not social actors by default. Rather, “individuals participate in social life as actors by assuming roles and the positions to which roles are usually tied” (Abdelnour et al., 2017: 15). Therefore, actors use techniques of control when assumed within a particular role (Abdelnour et al., 2017). Battilana et al. (2009) elaborate stating that actors who have designated roles and placement within institutions inevitably become ‘embedded agency’. The key micro level question within institutional theory is a need to investigate the impact embedded agents have in the institutional change process (Battilana et al, 2009).

From a critical lens, Seo and Creed (2002) raise a contradiction for institutional actors being able to create or transform. The concern being that, if institutional settings shape the way individuals and organisations operate, then how can actors influence change within the institutional setting which conditioned them (Battilana and D’Aunno, 2009); as actors who are truly embedded within an institutional setting are subjected to regulative, normative and cognitive pressures (Hardy and Maguire, 2008). Seo and Creed (2002) label this contradiction between institutions and actors as the ‘paradox of embedded agency’. Hence, there is a need to understand how embedded agency, who are also institutionally conditioned, can influence other organisations sharing the same environment (Garud et al., 2007). The paradox is relevant within the strategy process insight where it has been recognised that NGOs have been both successful and unsuccessful in influencing firms. Hence, from a micro perspective this suggests that there are some embedded agents that possess influential acumen over others (Maguire et al., 2004).

DiMaggio's (1988) early arguments suggest that organised actors with sufficient resources establish institutions. Furthermore, institutional actors pursue interests which they value (DiMaggio, 1988). Battilana et al. (2009) suggest that where embedded agency operates in their own interest institutions need to have actors who possess differing traits. This is because agents who intend to influence and change processes would have to overcome the institutional pressures themselves (Garud et al., 2007). Thus, the argument considers how actors can reach their goals by intentionally altering the institutional setting in which they are embedded (Phillips and Tracey, 2009). How agents of change can influence other players within the

institutional setting is reliant on the characteristics of the actor and the environment (Battilana et al., 2009). In similar discussion, Maguire et al. (2004) recognise that an agency embedded within regulative or normative NGO institutions has a high chance of becoming legitimised, in turn possessing institutional control over other players. However, it is noted that NGOs also use a cognitive institutional approach based on individual values and ideology (Rauh, 2010). Cognitive-based embedded agency (such as human rights activism) would need to utilise certain characteristics in an attempt to influence firm values and beliefs (Doh and Guay, 2006).

Peng, Sun and Markoczy's (2015) review of influential characteristics outline human capital as an individual's skill set, knowledge and social ties. These characteristics would raise the value of an individual increasing their capability to conduct tasks (Peng et al., 2015). The management literature has applied human capital to CEOs, with their ability to maximise firm performance (Peng et al., 2015). This occurs, particularly during institutional transitions; formal and informal changes of rules and norms within an institutional setting (Peng, 2003). CEOs that possess high human capital have been seen to form political ties (Sun et al., 2010) and gain access to difficult markets (Dahan et al., 2010). The notion of relationship-building suggests how embedded agency can influence other actors within the same environment to influence certain activity (Leca et al., 2008).

In the same respect, actors within NGOs can also possess human capital to build relationships and influence firms (Teegen, 2003). International NGOs have been seen to operate in similar administration as businesses (Sarma, 2011). Thus, many characteristics can be seen within both organisations. However, the motive of the individuals that operate the organisation differ (Teegen, 2003; Brammer et al., 2012). There is therefore an importance to study embedded agency within organisations, particularly where an actor's social position can dictate their relationship with their environment (Battilana et al., 2009). Battilana et al. (2009) elaborate whereby social status could prove important to influence change. Social status must be shown by individual position as well as the organisation's global status. Some studies have shown this where high-status organisations have initiated change due to their social authoritative position (Sherer and Lee, 2002; Greenwood and Suddaby, 2006). Abdelnour et al. (2017) however argue that the institutional narrative has

downplayed the question of which actors and which roles can become agents of change. Where institutions are slow to change, individuals who desire change need to be flexible in their emotions, attitudes, behaviours and technical skills (Abdelnour et al., 2017). Frynas, Child and Tarba (2017) reiterate the need for further empirical enquiries to explore the microelements of businesses and NGOs' interactions.

Institutional theory justifies the impact an organisation can have on an environment as well as the stakeholders involved (Bruton et al., 2010; Tolbert and Zucker, 1996). Rauh (2010:31) suggests that individuals within organisations are "rational actors who weigh out the costs and benefits of choices and behaviours to maximize their own benefits". Conversely, it can be seen that NGOs are led by individuals who possess a wider social agenda (Werker et al., 2008). Therefore, the actions of individuals would aim to fulfil the overall organisation's objectives, sharing a commonality. Additionally, it is individual actors within NGOs who are driven on social cause and set agendas to influence other organisations to achieve their goals (Vachani et al., 2009). Taking this into account, there is a lack in institutional literature to review which embedded agents within NGOs can influence and form relationships with firm actors.

Within the strategy process research, the previous two chapters have shown a macro understanding of how firms formulate strategic direction, taking account of internal and external influences. However, ultimately the success of understanding processes and directing strategic change is at an individual level (Kauppila, Bizzi and Obstfeld, 2017; Ma and Seidl, 2018). To fully comprehend how institutions can enter strategic decision-making, a micro level perspective needs to be included within a research design; as only specific embedded agency would be able to pass firm legitimacy filters and represent the influential power of an institution (Lawrence, 2008). As a result, the review from Burgelman et al. (2018) on the strategy process research has called for further insight into individual actors and power dynamics. Thus, researching the type of actors at an individual level proves to be relevant in both the business field and theory, particularly where there is a relationship.

Further examination of embedded agency is important, as only specific actors possess the power to create and transform organisations within an institutional setting

(Rao et al., 2000; Pacheco et al., 2010). As recognised, NGOs operate with the aim to promote their values and beliefs to all players that share their institutional setting (Vachani et al., 2009). However from a meso level, not all NGOs can pass firm legitimacy filters due to the complexities of a conflict zone (Kolk and Lenfant, 2012) and increased external influences (Delmas and Toffel, 2008). Hence, a question remains from a micro perspective as to which embedded agency within NGOs can pass firm legitimacy filters and influence MNC actors (Abdelnour et al., 2017). With reference to the conceptual strategy process, further insight is needed to understand which embedded agents within NGOs can gain recognition from firm executives and members of the strategy team.

To summarise this section, formal regulative institutions (legal bodies) dictate how firms can operate within an institutional setting (Doh and Guay, 2006). Normative and cognitive institutions (NGOs) attempt to influence the institutional setting with their values and ideologies; in certain scenarios enforcing informal social regulation on firms (Teegen, 2003). There are three key theoretical concepts that can inform the phenomena of organisational influence: legitimacy, power, and agency. Understanding the typologies and sources of legitimacy can provide further clarity in how NGOs can influence the strategy process (Bitektine, 2011; Suddaby et al., 2017). Subsequently, in gaining legitimacy entering the strategic decision-making dialog would be a question of institutional control to gain power (Lawrence, 2008; Goodstein and Velamuri, 2009). The essence of organisational influence would operate at a micro level; therefore, institutions would need to take into consideration the arguments of embedded agency (Battilana et al., 2009; Abdelnour et al., 2017). In examining the link between these three concepts, theoretical limitations have been identified.

4.5 Limitations of Institutional Theory

Institutional theory has developed key concepts which when applied, can support an understanding of how organisations can influence. In reviewing appropriate institutional narratives some aspects remained unclear. By highlighting current gaps within institutional theory, a successive empirical enquiry would be able to provide a

theoretical contribution. In relation to the aim of this thesis, three areas of institutional theory needed to be addressed.

The first theoretical limitation is not being able to understand the source of legitimacy for NGOs within the context of conflict zones. Legitimacy is a central concept within institutional theory (Suddaby et al., 2017). The concept has entered management insight to support an understanding of the relationship between firms and institutions (Darendeli and Hill, 2016; Stevens et al, 2016). Within the literature review, a macro firm level legitimacy filter has been recognised to all external influences due to the increase of external demands (Henisz and Zelner, 2005; Scherer et al., 2013). However, a central issue in legitimacy insight has lacked the attention to understand who has collective authority over legitimisation within specific settings (Deephouse and Suchman, 2008). The literature has provided an in-depth knowledge of the necessity to gain legitimacy for external organisation to influence (Suddaby et al., 2017). From a meso level of analysis, legitimacy insight needs to be extended to understand the sources for non-political institutions such as NGOs within heterogeneous environments. Accordingly, Deephouse et al. (2017: 47) suggest that legitimacy research can advance within the empirical settings of “natural disasters, epidemics and wars” that generate crises. Given the nature of these contexts, further insight would benefit to understand the source of legitimacy for activism as well as collaborative organisations, where firms could legitimise the type of NGO differently (Oetzel and Getz, 2012). These advancements would support Scott's (1987) initial view suggesting that institutional arguments are better understood when contextualised.

Secondly, within heterogeneous environments, if NGOs can pass firm legitimacy filters inherently questions how NGOs can possess institutional control to influence strategic decision-making. Theoretically, social power can be based on influencing the behaviour and beliefs of individual actors (Lawrence, 2008). However, given the complexities of conflict zones and strategy-making (Grant, 2003; Berman et al., 2017) it is vague as to how NGOs can gain the attention of key strategic decision-makers. Succinctly, Fligstein (2001) argues that new institutionalism lacks attention to power. Some studies have attempted to advance the concept of institutional control assessing the power of emotion (Friedland, 2018). However, as Abdelnour et al.

(2017) argue, actors within organisations also play a representative role to achieve organisational goals. Institutional power has commonly been associated as a micro phenomenon (Pacheco et al., 2010). However, prior to exploring key actors there is a need to understand how NGOs can gain institutional control over the firm's main objectives. This is due to the complex dynamic between actors internal to a firm involved in the formulation of strategy (Eisenhardt and Bourgeois, 1988; Mueller et al., 2013). Understanding power at a meso level would support the link between organisational objectives (macro) and individual agents of change (micro) (Rao et al., 2000; Kozlowski et al., 2013). Insight into institutional control can advance by understanding how a NGO's social power (behaviour and beliefs) can equate to influencing the underlying principles of strategic decision-making. As Munir (2015) elaborates, there is a need to understand how power functions within institutional theory.

In connection to power, a third limitation is a need to further understand the role of embedded agency within context at a micro level of analysis (Abdelnour et al., 2017). Only certain external agency would be able to influence the formulation of firm strategy (Drori and Honig, 2013). Hence, there is a need to uncover which type of embedded agency within NGOs can form relationships or influence firm actors. Abdelnour et al. (2017: 7) review in agency and institutions summaries that power is derived from "purposeful activities of actors in ways that are independent of institutions". Studies have referred to the impact of actors in terms of corruption and illegal legitimacy (Cuervo-Cazurra, 2016), stakeholder pressure (Sarkis et al., 2010) or social movements (Soule, 2012). However, institutional insight has overlooked the interaction between actors and how they can influence intentions and behaviour (Lawrence, 2008). Powell and Colyvas (2008) elaborate, stating that institutional forces can influence individuals' interests and desires. Nonetheless, institutional theory needs a richer understanding of how actors place themselves in social relations and how individuals interpret their context (Powell and Colyvas, 2008); essentially, to understand which embedded actors and which roles can become agents of change (Abdelnour et al., 2017).

Furthermore, understanding the micro phenomena which could lead to macro changes is an emerging topic within the strategy process research (Kouame and

Langley, 2018). Hence, Burgelman et al. (2018) call for further insight in the role both internal and external actors play in strategic decision-making. North (1991) states, institutions are made of a collection of individuals who share a common goal. Understanding which embedded agents within an institution possess the ability to influence and enforce strategic change can advance theoretical concepts. Berrone et al. (2013) concur stating that insufficient research has been done on these internal processes. A micro perspective on actors within institutions would strengthen the understanding of NGOs' ability to influence firm strategy, particularly where there is a theoretical link of actors within power (Abdelnour et al., 2017) and need for legitimisation (Kolk and Lenfant, 2012).

In highlighting three theoretical limitations, Phillips and Tracey (2009) state that researchers need to incorporate new institutional concepts with old ideologies, as they remain relevant in management understanding. Boxenbaum and Jonsson (2008) further reiterate that, due to a strong link between the institutional theoretical concepts, the gap within institutional theory can decrease if further empirical enquiries use a multilevel approach; such as understanding the macro and micro elements within the same review (Bitektine and Haack, 2015). These considerations can support theoretical advancements.

4.6 Conclusion

Institutional theory has evolved in the study of organisations (Selznick, 1996). Institutions shape both informal constraints (traditions, taboo) and formal rules (law) within an institutional setting (North, 1991). Consequently, institutions are known for governing social expectation taking regulative, normative and cognitive approaches (Scott, 1995). From a theoretical perspective, NGOs can be seen as institutions (Doh and Teegen, 2002; Hollensbe et al., 2014). Recognising the increasing strength of NGOs, firms are becoming more cautious in their strategic action and selecting their institutional setting (Arregle et al., 2013).

Three interlinked theoretical components prove relevant in organisational influence: legitimacy, power and agency. The previous chapter has shown a legitimacy filter for

external influences set at a macro firm level. Legitimacy assesses organisations, forces and actions considering their relevance to the assessor (Suchman, 1995). At a meso level, understanding the typologies and sources of legitimacy can provide further clarity in how NGOs could influence the strategy process (Bitektine, 2011; Suddaby et al., 2017). Once gaining legitimacy, NGOs need power to enter strategic decision-making discussions. Institutional control needs to be explored from a meso level to understand what gives NGOs power over the firm's underlying principles (Lawrence, 2008). In connection, a question is directed to which actors at a micro level within NGOs can gain power over the firm's objectives. A review of embedded agency has shown that key actors are needed to represent agents of change (Battilana et al., 2009; Abdelnour et al., 2017).

Three limitations of institutional theory have been recognised. Firstly, there is a need to understand the sources of legitimacy within the context of conflict zones (Deephouse and Suchman, 2008; Deephouse et al., 2017); particularly, how NGOs can pass firm legitimacy filters within the strategy process. Secondly, there is ambiguity of how NGOs can gain institutional control to influence strategic decision-making, given the complexities of conflict zones and strategy making (Grant, 2003; Lawrence, 2008; Berman et al., 2017). Finally, insight into embedded agency needs to advance by understanding which roles within social relations have the ability to influence (Powell and Colyvas, 2008). This limitation has been extended to the strategy process narrative calling to understand the role of micro actors (Burgelman et al., 2018).

CHAPTER 5

RESEARCH METHODOLOGY

5.1 Introduction

The aim of this chapter is to discuss and justify the methodological rationale of this study. The chapter begins by reviewing the research questions, which had provided direction. Subsequently, the methodological process is shown starting by understanding research philosophy. Understanding philosophy is an important aspect, setting an ontological and epistemology standpoint. The research philosophy highlights the most appropriate research paradigm for this study and justifies the philosophical assumptions underpinning the research. Subsequently, the chapter progresses to review data collection. Qualitative and quantitative research types are evaluated followed by an explanation of the chosen research method. Additionally, the importance of carrying out a pilot study is described, further showing how this took place and improvements made in the research design. This section will then progress into presenting the sampling technique and sample size used in the study. Next, the chapter presents the data analysis highlighting the rigorous process used. Finally, ethical considerations are recognised, concluding the chapter by reviewing the validity and reliability in this research.

5.2 Research Questions

The strategy process narrative has been vague in understanding institutional influences within specific contexts (Hutzschenreuter and Kleindienst, 2006). From the literature review, it became clear that further insight is needed to conceptualise external influences. Thus, the aim of the research was to understand how the strategy process is influenced by social institutions within an unstable context. Drawing on institutional theory, three research questions were designed to achieve this research aim. Furthermore, it was noted that organisational influences can operate at multiple level (Hitt et al., 2007). Therefore, the research questions formed to direct this study

incorporated both key theoretical constructs and a multilevel method of analysis. The research questions are as follows:

1) What indicators are used in the strategy process for firms entering a conflict zone?

The first research question was aimed to comprehend a macro perspective of MNCs. Setting a foundation for the research; the purpose of this question was to understand the contextual change in the strategy process. The literature was vague in explaining how an adverse operational environment could change the strategy process and where institutions are accounted for within the process. This research question was therefore necessary to gain a comprehensive perspective of what indicators firms take into account when placed within a conflict territory and how this is reflected within the strategy process. The intention of this question was to develop the conceptual strategy process framework derived from the literature review.

2) How can NGOs as institutions possess legitimacy and power to influence a firm's strategy process in conflict zones?

The second research question focused on the influence of NGOs operating at the meso level. As recognised within the literature, interactions between MNCs and NGOs can be placed between the macro and micro level. Hence it was beneficial to understand a meso level of analysis, bridging the upper and lower perspectives. The literature has shown that the degree of influence from an external organisation was dependent on their level of legitimacy and power. Where firms have set an internal cognitive filter as a process of legitimatisation, both of these theoretical constructs are needed for NGOs to be recognised and influence strategic decision-making. This question was therefore used to analyse how firms legitimise NGOs and if influential power exists due to the complexities of a conflict environment.

3) Which external individual actors are involved in influencing strategic decision-making for a firm in conflict zones?

A subsequent argument within organisational influence referred to embedded agency from a micro level of analysis. Therefore, the third research question was directed to understand individual actors within NGOs and their ability to gain legitimacy and power. The literature showed that individual actors are instrumental in organisational change and influence. However, it was recognised that further insight was needed within both strategy process and institutional narratives to understand which embedded agency are involved. The third research question was therefore designed to understand, specifically, the type of individual actors that can influence strategy. This question was aimed to access the micro phenomena of organisational influence, adopting the theoretical construct of actors.

5.3 Research Philosophy

When conducting any academic research, the methodology first begins with a discussion on philosophy (Easterby-Smith, Thorpe and Jackson, 2012). It is important for researchers to recognise their philosophical stance and understand which paradigm to adopt for their study (Mir and Watson, 2000). This is because the research philosophical assumptions can set a framework underpinning any empirical enquiry. Fleetwood (2005) suggests that the term philosophy relates to the development and nature of knowledge. The adopted philosophy assumes how an individual views the world. Hence, the researcher's particular philosophical viewpoint would influence how the collected data are interpreted (Fleetwood, 2005). Furthermore, Chia (2002) argues the importance of understanding which philosophical stance should be taken, particularly within management and social science research. Justification of an adoption would support the researcher in research design and how they intend to pursue answering the research questions.

The essence of research is to produce new knowledge (MacIntosh and Caldwell, 2015). The philosophy within management research is linked to understanding the nature of what reality is (Bartunek, Rynes and Ireland, 2006). However, how reality is perceived raises different standpoints that can be adopted in a chosen methodology. Burrell and Morgan's (1979) understanding of philosophical standpoints highlights two key strands: ontology and epistemology. Ontology studies

the nature of being, reviewing whether reality is subjective or objective (O’Gorman and MacIntosh, 2015). Consequently, epistemology reviews a particular school of thought on how reality is perceived and how knowledge is generated (Fleetwood, 2005). The following two sub-sections evaluate both of these philosophical strands.

5.3.1 Ontological considerations

The nature of research is influenced directly or indirectly by how a researcher interprets phenomena (Crotty, 1998). The question that arises within ontology is the assumption of what is ‘real’ and how a researcher can examine what is being perceived. As Crotty (1998: 10) explains, ontology is the study of being “concerned with ‘what is’, with the nature of existence, with the structure of reality as such”. Bhattacharjee (2012) simplifies stating that ontology refers to how individuals see the world. Within management research, there are two foundational positions dependent upon a researcher’s perspective.

The first is based on whether a researcher considers social entities as ‘objective’, existing indifferent to any external social interaction (Smircich, 2012). The second position suggests that the social entity is constructed by the actions and perceptions of social actors (Mir and Watson, 2000). These positions are commonly referred to as objectivism and subjectivism (also known as constructivism).

This study aimed to identify the relationship between NGOs and firms, specifically on NGOs’ ability to influence the strategy process. According to an objective ontological standpoint, what individuals perceive as reality is formed by social order (Bhaskar, 1997; Burrell and Morgan, 1979). Thus the workplaces within organisations would operate based on law and regulation. These would operate independent to any social actor such as employees that work within firms. An objective perspective would, therefore suggest that the strategy process of firms is governed entirely through structured procedures. However, in reality it has been identified within the literature review that this is not the case in strategic management (Farjoun, 2002). As recognised, strategic decision-making within the formulation stage is constructed by three assemblies: strategy teams (Paroutis and

Pettigrew, 2007), company executives (Song et al., 2015) and legitimate forces external to the company (Delmas and Toffel, 2008). Studies have shown the formulation of strategy to be considered 'organic' in nature (Farjoun, 2002; Hutzschenreuter and Kleindienst, 2006). For example, findings from Grant's (2003) study show that international oil companies had to revisit the planning stages of strategy several times dependent upon the turbulence of their operational environment. Therefore, to understand the essence of external influence upon the strategy process a researcher cannot take an objective ontological position. To gain in-depth understanding of influential change this study needed to consider an opposing position.

The second key standpoint considered in ontology is 'subjectivism'. Foss et al. (2008: 74) explain this notion "that research in social science, including management, must take account of the facts that individuals hold different preferences, knowledge, and expectations, and more specifically the pre-supposition that the contents of the human mind, and hence decision making, are not rigidly determined by external events". Hence, a subjective ontology is based on the assumption that reality is shaped by individual perception (O'Gorman and MacIntosh, 2015). Furthermore, it was noted that subjectivism is a continual process where, through social interaction, these social phenomena are constantly perceived differently (Fleetwood, 2005). Therefore, to comprehend NGOs' ability to change MNCs' business practises, it is necessary to view social interactions and each party's perception of the relationship. An investigation of the social interaction would need to be observed within a particular research context.

Taking a subjective or constructivist standpoint seemed appropriate for this research due to the informality and nature of external influences. For example, within the study of Driffield et al. (2013), a company's decision to invest into conflict regions was reliant on the level of external influence they received. Newly formed companies seeking to explore oil and gas reserves received negative publicity for intending to set up base within Sudan. This scenario could be perceived differently if research variables changed such as industry or economic zone. Therefore, by taking a subjective standpoint, a researcher must assume that there is no entire truth (Adams

et al., 2007). Individuals' understandings of phenomena are formed by what their interpretation is at a given time within context.

Comparing objective and subjective ontological positions in management can be explained using organisational culture. Smircich (2012) recognises that objectivists would acknowledge the culture of an organisation as an entity they already possess. However, from a subjectivist point of view culture is something that an organisation 'is' due to a connection with their social setting. According to Smircich (2012), management insight has shown organisational culture as something which can be changed at the desire of managers. A subjective position would state that culture possesses more complexity than an objective view due to social interactions changing individual understanding (Mir and Watson, 2000; Smircich, 2012). Furthermore, from general organisational culture, this notion can be applied specifically to strategic management. Mintzberg and Lampel's (1999) reflection on strategy process research showcases a cognitive school of thought where strategy formation is governed by an individual's mental construction. Thus, when researching strategy a study can benefit by taking a subjective standpoint to understand the thought process that leads to strategy formation. Moreover, adopting a subjectivist ontological standpoint in research would influence the epistemological consideration.

5.3.2 Epistemological considerations

A researcher's ontological consideration will reflect upon what epistemological position they take (Kuhn, Cheney and Weinstock, 2000). Both considerations are linked. Where ontology looks at the nature of reality, epistemology is concerned with what is acceptable knowledge within a study. Jonker (2010: 61) describes epistemology as the "philosophy of knowledge, especially with regards to its methods, validity, nature, sources, limits and scope". For some researchers, objects represent the nature of reality (Jonker, 2010). They consider objects to be real and therefore base their data on the analysis of facts. For example, an operations manager understands information through quantifiable information such as machinery and modes of transportation. These objective researchers view firms directly,

contributing to resource-based theories and models (Mir and Watson, 2000; Starkey and Madan, 2001). In these cases, feeling or attitudes are not the source of data. On the other hand, opposing an objective position, subjective researchers aim to understand social phenomena that cannot be quantified (Kuhn et al., 2000). Fundamentally, the argument within epistemology lies with what the research aims to achieve.

There are two key positions within epistemology: positivism and interpretivism. Positivism is a position that states knowledge is exactly the phenomena that we experience (Guba and Lincoln, 1994; Wicks and Freeman, 1998). Astley's (1985: 497) insight into positivism states that it is "a conventional model of scientific progress as a cumulative discovery of objective truth". A positivist standpoint within management suggests that social sciences should be considered and studied in the same way as natural sciences. For example, data should be collected with a definitive and predictable set of results. The meaning of this phenomenon would be impartial to that of the social setting, opinions and attitudes (Wicks and Freeman, 1998). Lee (1991) states that researchers who take a positivist philosophical stance prefer to see observations, using hypothesis testing and mathematical analysis. Positivists would claim to be external during the data collection process where they neither affect nor are affected by participants (Meckler and Baillie, 2003). In this sense, research is taken without attaching a value. There has been much debate on how to study organisations, questioning whether phenomena are objective or socially constructed truths (Al-Amoudi and Willmott, 2011; Astley, 1985; Kwan and Tsang, 2001). Nevertheless, Meckler and Baillie (2003) proclaim that there could be a possibility for 'middle ground' where both standpoints are correct, being positivist or the second standpoint, interpretivist.

In recognising the nature of a positivist epistemological stance, the aim focuses on gaining true facts. However, as identified earlier, to understand the reality of organisational influences, it is necessary to gain meaning. Meaning to situations – such as an NGO influencing the strategy process – is constructed through social integration (Collis and Hussey, 2013). Where a positivist standpoint focuses on facts, an interpretivist paradigm aims to achieve meaning from relationships (O'Gorman and MacIntosh, 2015). Therefore, a researcher wanting to understand the

phenomenon of organisational influence would not be able to take a positivist's standpoint. This is due to a need to gain meaning from an unstructured situation. Understanding social relationships and organisational influence can only be sought by gaining meaning from opinions and attitudes (Collis and Hussey, 2013). Therefore, to match a subjective ontological position, a researcher would need to take an interpretivist epistemological position.

Interpretivism advocates the link to how society constructs their social setting and consistently reviews understanding through social interaction (Easterby-Smith et al., 2012). To comprehend the social science of management and business strategy it is necessary for researchers to understand humans as actors within society (Pozzebon, 2004). For this research enquiry, these were individual actors in both NGOs and firms that operate within conflict zones. Lee (1991) suggests that from an interpretive approach, methods of natural science are inadequate to comprehend social reality. Lee (1991: 347) elaborates, sharing "the same physical artefact, the same institution, or the same human action, can have different meanings for different human subjects, as well as for the observing social scientist". Therefore, it is necessary to gain an interpretivist view, studying actors from within firms and NGOs.

Following the evolution of debate on positivism and interpretivism, Bhaskar (1997) introduces 'critical realism' as a school of thought commonly attached to the post-positivist strand. Bhaskar's (1978) school of thought is rooted in the notion of 'realism' as an ontological alternative. This position suggests that the information individuals' gain from their senses must be regarded as the truth (Fleetwood, 2014). Critical realism has developed as an epistemological standpoint derived from both objective and subjective ontologies (O'Gorman and MacIntosh, 2015). The critical realism argument in post-positivism states that the reality of what is experienced is dependent upon the understanding of the individual researcher (Zachariadis, Scott and Barrett, 2010). Therefore, critical realism philosophy within strategic management acknowledges potential fallibility with contributions to knowledge (Miller and Tsang, 2010). As O'Gorman and MacIntosh (2015) share, this position is 'realist' in recognising the external reality beyond the individual's perception, but 'critical' of the ability to access it. Consequently, this debate on epistemology is important to visit.

Kwan and Tsang (2001) contribute to the critical realism philosophy stating that once an object has been recognised from the senses, there could be simultaneous events that cannot be seen. Thus, the observer's interpretation may not be the complete truth where other factors may have influenced a certain situation. Mir and Watson (2001) contest Kwan and Tsang (2001) on an ontological level where perception of reality is socially constructed; hence, theoretical assumptions are completely based on context. Though a debate exists in the similarities and differences of critical realism with other philosophical positions, a notion remains that critical realism has the potential to inform strategy research (Mir and Watson, 2001). Particularly, Mir and Watson (2001: 1173) state that "reality is as much a manifestation of our own social construction as it is of natural forces beyond our control and understanding". This has been considered important within the management narrative due to consistent change happening on many levels from organisational to individual (Mingers, 2006). Nonetheless, although critical realism recognises the influence of events beyond the study, the post-positivist position also seeks explanation for contingent relations (Miller and Tsang, 2010); in other words, reasons as to why a specific external influence can change strategic direction.

Mutch (1999) shows that within reality, there are multiple layers. Each layer has the ability to influence or emerge from each other. As a result, the study on organisations can only be perceived from an understanding of the layers that can be observed. In attempting to conceptualise management and strategy formulation, an assessor is bound by the research subjects (Kozlowski et al., 2013). Critical realism identifies these situations when researching organisational influence. Particularly, when a research aim is based on the extension of existing literature, a critical realist standpoint is favourable due to various conditions, contexts and different levels of perception (macro, meso and micro) (Fairclough, 2005; Fleetwood, 2014). A researcher's perception can be both physically and ideologically limited (O'Gorman and MacIntosh, 2015). Hence this research enquiry was bound only by what could be interpreted at a set given period in a specific context. As a result, a critical realist standpoint was seen as an appropriate modern ideology for the study of organisations. Additionally, a consideration of critical realism seemed applicable given the causal relationships of players (Darendeli and Hill, 2016) and political

complexities (Henisz et al., 2010) usually associated with conflict environments, occurring beyond the research objectives.

Studying organisations from a subjectivist paradigm raises questions on validity, particularly where studies are based on a critical realist philosophy. Al-Amoudi and Willmott (2011) recognise that within management, organisational structure needs to be understood beyond social relationship. However, theory development through studying organisations needs judgement rationality in sense making (Al-Amoudi and Willmott, 2011). Seeing phenomena as an objective truth therefore would not assist in understanding a situation. The way in which an assessor understands a phenomenon can be based upon different modes of analysis and recognising the socio-culture of a situation (Lawson, 2003). Miller and Tsang (2010) highlight that a critical realist philosophy can operate within strategic management research if interpretations can be translated into understanding organisational mechanisms.

This section has evaluated both the ontological and epistemological considerations. Reviewing the arguments, it was appropriate for this study to take a subjective ontological position and interpretivist epistemology position. As Mir and Watson (2000) summarise, both of these considerations in philosophy are interlinked. Additionally, an interpretivist position has been adapted for modern organisational analysis particularly within adverse conditions, recognising a critical realist standpoint. The next section will review data collection.

5.4 Data Collection

An important aspect of methodology is concerned with how data is collected (Berg, 2001). This research studied organisational influence by interacting with social actors within MNCs and NGOs. Data was collected from August 2016 to February 2017. The process of how data was collected is reflected throughout this section beginning by reviewing the research method, followed by the sampling technique.

5.4.1 Research methods

There are two types of research methods that can be considered: quantitative and qualitative. Quantitative research is often regarded as statistical research tools based on numerical calculation and accurate facts (Echambadi, Campbell, and Agarwal, 2006; Shook et al., 2003). To gain further insight into a situation qualitative tools are needed, particularly to comprehend meaning and reasoning (Shah and Corley, 2006). A researcher must be able to use a method that allows a comparison of opinions and attitudes. Qualitative research is a useful method to understand individual processes (Bluhm et al., 2011). Additionally, a qualitative approach would further support understanding the multilevel phenomena of organisational influence (Hitt et al., 2007). Thus, it can be argued that taking a qualitative approach would be more suited to answer the research question, understanding the nature of influence and attitude (Fleetwood, 2005).

Cassell et al. (2005) suggest that using qualitative methods allows a researcher to view phenomena from the perspectives of individuals' experiences. Collecting experiences was applicable to this research, aiming to understand which individuals within NGOs possess power and legitimacy to influence change. This study also sought to understand from an MNC perspective how actors within firms legitimise NGOs. This could only be understood by speaking with key individuals within a firm and learning about their business experiences.

It has been noted that studies of similar nature have also benefited from using a qualitative research method. Oetzel and Getz (2012) used a qualitative approach to gain in-depth information on firm responses when operating within a conflict zone. Similarly, Branzei and Abdelnour's (2010) study on enterprise resilience under terrorism in developing countries utilised a qualitative method. This approach informed both studies by connecting with and understanding the individual experiences of research subjects. Furthermore, Darendeli and Hill's (2016) study on firm legitimacy in Libya gained key insights from social conversations using qualitative means. Legitimacy is one of the main theoretical constructs within this study. The informal nature of this construct provides further rationale as to why it is

necessary to use qualitative research methods, where legitimacy cannot be understood from quantifiable means (Bitektine and Haack, 2015).

The main types of qualitative research include interviews, focus groups, ethnography and observations (Easterby-Smith et al., 2012). To achieve what was required to answer the research questions, interviews was the most appropriate research tool. Interviews can provide the ability to gain in-depth understanding of the influences on the strategy process (Grant, 2003; Kraemer et al., 2013). Being able to present questions, an interview can collect participant interpretations on an individual basis (Delmas and Toffel, 2008). Gaining participants' interpretations was necessary to engage on an individual level, understanding the nature of influence from both MNC and NGO perspectives.

5.4.2 Pilot study

In order to ensure that the research tools are most efficient, it is necessary to carry out a pilot study prior to collecting data (Silverman, 2016). This would ensure that the fieldwork is verified before scaled out to the selected sample. Within social science a pilot study is a small-scale trial, to check the feasibility of the study (Kim, 2011). Results of the pilot study can be useful to ascertain any confusion and adjust the research material. The intention of a pilot study is not to collect data but to improve the tools and techniques (Guthrie, 2010a). In this research, a pilot study was used to ensure that the interview questions were appropriate.

A pilot study was undertaken with one participant from a UK based MNC and one participant from a UK based NGO. Both participants had gained experience operating within turbulent environments and had informed subsequent firm strategy. The two interviews adhered to a structured question guide to assess the clarity of the wording used in the questions. The pilot interviews identified two issues. Firstly, the participants were confused on the phrasing of questions. This was in relation to the meaning of 'strategy process' (being referred to as ambiguous) and 'successful in influencing' (not being precise). Secondly, the pilot study was designed to present fixed questions prearranged to the interview. However, as the interview progressed

participant responses opened a new avenue of thought and discussion. It was also necessary to probe for examples to clarify what the participant was sharing.

From this pilot study, the research question guide was refined before conducting further interviews. Furthermore, a choice of using a semi-constructed interview method appeared to be most appropriate allowing the discussion to be flexible.

5.4.3 Semi-constructed interviews

Semi-constructed interviews are a qualitative method to collect data. Interviews are important as they allow a researcher to probe, uncovering any hints in order to understand a situation from multiple angles (King, 2004). The structure of the interview during data collection was on a one-to-one basis; with the researcher being the interviewer and the participant being the interviewee. A benefit of using interviews allows the participant the freedom to express their thoughts and showcase their experiences in reality (Galletta, 2013).

The main aim of an interview is to gain an understanding from the respondent's perspective (Shah and Corley, 2006). Semi-constructed interviews were seen to be more suited to gauge how NGOs intend to influence MNCs with the possibility to probe the interviewee (Elbanna and Child, 2007). Using a semi-constructed interview structure, the interviewer started with a question from the question guide but let the interview session be flexible depending on the interviewee's responses. By using open-ended questions the researcher could gain more information on particular topics, probing where necessary (Collis and Hussey, 2013). This method of data collection proved successful in Grant's (2003) study on strategic planning in turbulent environments. Furthermore, Delmas and Toffel's (2008) use of interviews gave insight into institutional pressure on strategic decision-making. Both of these studies provided further rationale to utilise semi-constructed interviews proving effective for this study during data collection. Additionally, feedback from a pilot study highlighted a need to utilise a semi-structured approach, discussed further in the next sub-section.

This study carried out face-to-face interviews with participants based within the UK. Easterby-Smith et al. (2012) state that researchers must be prepared to carry out interviews via telephone; this may suit those that work in business. Managers may feel more relaxed knowing that they do not have to host the interviewer. Furthermore, given the context of this study, many participants were based outside of the UK. Therefore, use of telephone or Internet-based communication such as Skype was used to conduct the majority of the interviews. To avoid participants feeling less important in the study (given the physical separation) it is important for the researcher to build a good rapport prior to the interview taking place (Guthrie, 2010a). This ensures that not only the participant feels at ease, but also importance is drawn towards the questions (Guthrie, 2010a).

This study conducted a total of twenty-one interviews. The duration of each interview was between forty-five minutes to one hour. To ensure consistency throughout the interviews, two interview question guides were used (Appendix 1 and 2). The guides were useful to assist the interviewer to provide direction. Tables 5.1 and 5.2 show a list of participants, highlighting their organisational position and current location. Furthermore, as noted in chapter three (Figure 3.1: The curve of conflict), geographical conflicts can be experienced at different stages illustrating a temporal dimension. Consequently, it was important to map at which stage of conflict each participant had gained experience. Within the participant lists a label is attached to each participant highlighting the conflict stage experience. These labels are referenced to the conflict stages seen in chapter three, Figure 3.1 All participants were selected having gained experience within the Middle East and North Africa economic zone. This was important to ensure experiences were shared within the same context. Within Tables 5.1 and 5.2 participants were assigned a number to protect their anonymity (discussed further in research ethics). Furthermore, each organisation was labelled with a Standard Industrial Classification (SIC) code (Companies House, 2018) followed by a description. A SIC code provides a standardised reference to the nature of the business.

Table 5.1: Group 1 MNC participant list

Participant Number	SIC Code	Nature of Business	Organisational Position	Base Location	Conflict Stage Experience
MNC 1	64205 - Activities of financial services holding companies	Financial Services	Chief Financial Officer	Saudi Arabia	Instability
MNC 2	45111 - Sale of new cars and light motor vehicles	Diversified	Group Manager - Finance and Accounts	Kuwait	Instability & Violent Conflict
MNC 3	06100 - Extraction of crude petroleum 06200 - Extraction of natural gas	Oil/Gas	External Relations Manager	Singapore	Instability
MNC 4	52230 - Service activities incidental to air transportation	Air Management	Managing Director	UK	Violent Conflict
MNC 5	06100 - Extraction of crude petroleum 06200 - Extraction of natural gas	Oil/Gas	Global Manager Sustainable Development	Netherlands	Instability
MNC 6	64205 - Activities of financial services holding companies 64191 - Banks	Commercial Banking	Head of Corporate Sustainability	Dubai	Instability / Peace
MNC 7	64205 - Activities of financial services holding	Development Banking	Principal Banker	Russia	Instability
MNC 8	07100 – Mining of iron ores 24100 - Manufacture of basic iron and steel and of ferro-alloys	Mining	Sustainability Director	Netherlands	Instability & Violent Conflict
MNC 9	70229 -Management consultancy activities other than financial management	Consultancy	CSR Consultant	Switzerland	Peace / Instability
MNC 10	46520 - Wholesale of electronic and telecommunication equipment and parts	Tele - Communication	Lead Managing Engineer	Saudi Arabia	Instability

Table 5.2: Group 2 NGO participant list

Participant Number	SIC Code	Nature of Business	Organisational position	Base Location	Conflict Stage Experience
NGO 1	88990 - Other social work activities without accommodation not elsewhere classified	Humanitarian	Senior Officer, Global Partnerships	USA	Violent Conflict & Instability
NGO 2	88990 - Other social work activities without accommodation not elsewhere classified	Humanitarian	Senior Vice-President, Partnerships	USA	Violent Conflict & Instability
NGO 3	96090 - Other service activities not elsewhere classified	Environmental Preservation	Chairman – Society Board	UK / Syria	War
NGO 4	94990 - Activities of other membership organisations not elsewhere classified	Commercial Regulation: Anti-corruption	Director, Business Integrity	UK	Instability
NGO 5	88990 - Other social work activities without accommodation not elsewhere classified	Humanitarian: Poverty Aid	Head of Programme Management	UK	Instability
NGO 6	58190 – Other publishing activities 74909 – Other professional, scientific and technical activities not elsewhere classified 85590 – Other education not elsewhere classified	Commercial Regulation: Anti-corruption and Human rights	Campaign Director, Conflict and fragile states	UK	Violent Conflict & Instability
NGO 7	86900 - Other human health activities	Health Care Education	NGO-Corporate collaboration	Morocco	Instability / Peace
NGO 8	94920 - Activities of political organisations	Product/Brand Activist	Group Leader	Palestine	Instability / Violent Conflict
NGO 9	85600 - Other human health activities	Education	Co-Founder	Lebanon	Instability
NGO 10	85600 - Other human health activities	Mental Health Education	Co-Founder	Egypt	Instability & Violent Conflict
NGO 11	11070 - Manufacture of soft drinks; production of mineral waters and other bottled waters 88990 - Other social work activities without accommodation not elsewhere classified	Water supply	Founder	UK	Instability

5.4.4 Sampling technique and size

When planning to conduct a research study it is important to choose which participations are needed to gain data (Tashakkori and Teddlie, 2008). Due to time restraints and impracticalities, many researchers cannot study the entire population of interest. In theory, a sample should represent the population of interest enough to validate the answers to the research questions (Cassell et al., 2005). The sampling techniques fit into two groups: probability and non-probability. Probability sampling technique is a systematic statistical method to select participants for a research sample (Maxwell, 2008). As this research was not using quantitative tools, this technique was inappropriate. Hence a non-probability method was required.

Non-probability or purposive sampling techniques involve selecting individuals from the population of interest based on specific purposes rather than random selection (Teddlie and Yu, 2007). This method is used in qualitative research due to the ability to select participants more appropriate to the study. In order to achieve the aim of this research, it was necessary to interview both MNCs and NGOs. To efficiently select participants, the sampling technique used was convenience and snowball. Convenience sampling allows the researcher to select participants that are easily accessible and willing to take part within the research study (Teddlie and Yu, 2007). It can be argued that this method could create researcher bias towards the findings (Guthrie, 2010a). Nevertheless, it is useful to also ensure the correct criteria is sought to maximise interview efficiency. Selecting the most appropriate participant is particularly important given the short time period to collect data. Cassell et al. (2005) recognise that accessing large organisations can be time consuming. This is particularly the case with individuals who are busy within business activities. In management research, individuals can face challenges concerning lack of interest from potential participants or firms not wanting to speak about sensitive topics (Easterby-Smith et al., 2012). Selecting a context such as conflict zones can become problematic due to participants avoiding the study on sensitive grounds. Nevertheless, these aspects are common within all social science research (Bhattacharjee, 2012).

Within the study two types of sampling were employed. Firstly, convenience sampling was used in this research by connecting with key individuals within a personal network. Use of a researcher's personal network is a fortunate method to collect data (Silverman, 2016). Personal networks can remove entrance barriers due to existing rapport and trust factors (Lincoln and Guba, 1985; Silverman, 2016). Individuals within a network could act as a bridge to an organisation and also facilitate a connection with the most appropriate candidate to interview. During data collection, this study managed to gain access to organisations within the industries of oil and gas, aviation, banking, mining and international development charities. These were based on utilising a series of personal networks. Hoang and Antoncic's (2003) study showcases this, as they gained access to their participants through existing relationships. Additionally, research access was also gained by contacting appropriate organisations and associations directly within this field of study.

Secondly, snowball sampling was applied as it is frequently used when it can be difficult to identify and reach ideal candidates (Teddlie and Yu, 2007). This method recommends asking participants to connect the researcher with or identify further contacts (Corley and Gioia, 2004). Bullough et al. (2014) found snowball sampling effective to guide their search for participants due to limitations of access. At the end of each interview with both MNC and NGO participants, the researcher requested if the participant could introduce ideal candidates to the study. Snowball sampling proved useful for connecting with partnering organisations, linking NGO operations with MNCs to understand the relationship. From the twenty-one conducted interviews, eleven were gained from a personal network, five from direct contact and five from participants.

During data collection, saturation sampling was taken into account where findings started becoming of a repetitive nature. Commonly referred to within Glaser and Strauss (1967) and Strauss and Corbin's (1998) subsequent literature, saturation within data will be evident where themes and categories within participant responses become repetitive. This will provide an indication that enough data has been collected. This research study interviewed twenty-one participants: ten MNCs (group 1) and eleven NGOs (group 2). Repetition of findings was acknowledged after sixteen interviews were conducted (eight in each group). A further five interviews

were conducted to validate the findings. The data collection stage concluded at twenty-one interviews, providing enough data for qualitative rigour and contribution to the literature.

Previous studies with MNCs and NGOs in conflict zones similar to this research selected a sample size of eight (Grant, 2003), twelve (Delmas and Toffel, 2008), and twenty-five (Darendeli and Hill, 2016). Kolk and Lenfant (2012) interviewed five NGOs as part of their mixed methods approach. Other studies (Branzei and Abdelnour, 2010; Dai et al., 2013; Oetzel and Getz, 2012) used quantitative means and observations, with a sample size into the hundreds. These all differ on research time and scale. This comparative review shows that a research sample of twenty-one interviews was successively working within the current literature.

The chosen research participants in both MNCs and NGOs possessed extensive management experience. Project managers, members within the strategy team, and executives were identified as organisational positions to acquire knowledge of the themes being researched (Delmas and Toffel, 2008; Oetzel and Getz, 2012). As Darendeli and Hill (2016) explain, it is necessary to identify the correct individual to interview to ensure answers are given to the research questions. Furthermore, these roles mentioned would be able to provide a clear understanding of the reality of institutional influence and strategy making.

To gain further specifics in the research context, the conflict zone chosen was the Middle East and North Africa (MENA). This economic group not only operates a high level of commerce but is also exposed to instability through conflict (Bullough et al., 2014; Spiess and Felding, 2008). The MENA region was selected due to the high concentration of recent conflict identified by the Nobel Prize (2016), Council on Foreign Relations (2016) and Heidelberg Institute for International Conflict Research (2016). The countries that operate within MENA are shown in Appendix 3.

5.5 Data Analysis

This section aims to explain the process of how the collected data were analysed and interpreted to answer the research questions. Within the strategic management field, prior studies highlight the benefit the both inductive and deductive approaches in analysis (Echambadi et al., 2006). A deductive approach to develop theory is based on using hypotheses and quantitative means (Shah and Corley, 2006). As this study was conducted using an interpretivist, qualitative framework, data analysis was therefore based on an inductive approach to theory development (Locke, 2007). Inductive reasoning is based on making sense of observations (Bhattacharjee, 2012). Researchers would interpret certain scenarios and from these generalisations, extend existing theory (Echambadi et al., 2006).

Hitt et al. (2007) recognise that most management experiences involve multilevel perspectives. However, generally, studies only focus on a single point of view (Hitt et al., 2007). Therefore, to gain further clarity on the subject, this study has incorporated a multilevel perspective in analysis. The three distinctive levels (macro, meso and micro) can support not only in structuring the analysis but also advance academic fields (Kozlowski et al., 2013). For example, the literature has shown how a multilevel perspective can provide greater understanding of theoretical concepts such as legitimacy (Bitektine and Haack, 2015) and agency (Tracey et al., 2011). The strategy process literature also recognises the need to understand the impact of micro actors on macro firm processes (Burgelman et al., 2018; Kouame and Langley, 2018).

Within social science research authors have questioned the validity of interpretivism and qualitative research methods (Shah and Corley, 2006). Qualitative research has been conducted and analysed in various ways over several decades (Miles and Huberman, 1994). To ensure qualitative rigour within analysis, this study took a grounded theory analytical approach based on the Gioia method (Gioia et al., 2012).

The Gioia method of grounded analysis is a practical methodology which allows researchers to focus on the interpretive process (Gioia et al., 2012). Glaser and Strauss (1967) formulated grounded theory methodology in argument that

phenomena should not be seen or reflected as an independent truth external from reality. Rather, grounded theory recognises that reality is “both the act of observation and the emerging consensus within a community of observers as they make sense of what they have observed” (Suddaby, 2006: 633). Hence, uncovering new insights continuously builds on what is already known (Kreiner, Hollensbe and Sheep, 2009). The emphasis of this methodology compared to others used in qualitative approaches is theory development (Strauss and Corbin, 1994). The Gioia method is designed to provide qualitative rigour in inductive research based on the articulations of grounded theory (Gioia et al., 2012). This form of methodology has shown to be useful in both stages of data collection and analysis. The process design can be beneficial by simultaneously collecting and analysing data, in turn finding new participants when needed to answer the research questions (Gioia et al., 2012). Gioia et al., (2012) further argue that this methodology of analysis can prove useful to develop new concepts, instead of diverting the original meaning of former concepts with new insight. Williams and Shepherd's (2016) use of the Gioia method demonstrated this, forming new dimensions within their analysis of emergent ventures in Haiti.

It is necessary for a researcher to explain each step of the analysis process to highlight rigour of the inductive analysis (Miles and Huberman, 1994). Several stages were involved. The first step of the analysis process was to transcribe each audio-recorded interview. Appendix 4 shows a full transcription for participant MNC 1 as an example. Transcribing interviews was beneficial to remind and familiarise the researcher of the discussions in the interview. Each interview transcript was read through in detail to ensure key factors had been understood. To ensure validity of the collected data, a copy of the transcript was sent to the participant for any amendments or additional comments. Next, the researcher could begin to analyse the data making initial codes on each transcription. Coding can be seen as labels attached to common phases across the data set (Furrer, Thomas and Goussevskaia, 2008).

Coding can be a time consuming task if carried out manually (Easterby-Smith et al., 2012). Therefore, this research used NVivo software (version 11). Use of computing software can aid in the analysis stage, viewing and grouping common codes (Bhattacharjee, 2012). The transcribed interviews were uploaded into NVivo. The

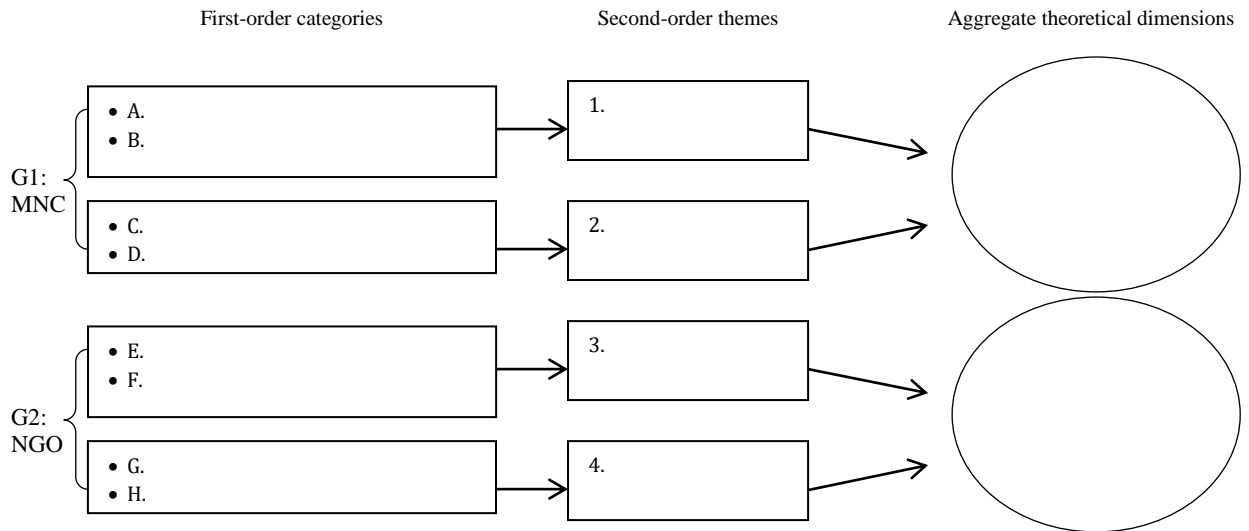
second stage of analysis compared the initial codes across all transcriptions to generate a set of first-order categories. These first-order categories were informant-centric providing a basis of general understanding of participant responses (Gioia et al., 2012).

The third stage of analysis required finding links between the first-order categories to develop second-order themes. This entailed discovering patterns and establishing meaning behind the common categories. The researcher employed axial coding, useful to find relationships among first-order categories (Tracey et al., 2011). Axial coding would allow the researcher to relate initial codes with each other, in turn collapsing first-order categories to form second-order themes. These second-order themes were theory-centric (Gioia et al., 2012). Appendix 5 showcases two images of the coding undertaken within NVivo to generate common themes across the twenty-one interview transcriptions. NVivo terminology labels first-order categories as '*child nodes*' and second-order themes as '*parent nodes*'. During the analysis stage, eighteen parent nodes and forty-three child nodes were recognised as important across the collected data. Appendix 6 and 7 shows two tables presenting the overarching categories and themes derived from the MNC and NGO interviews. Within the tables, the *sources* column signified the number of interviews linked with the theme and the *references* column indicated the number of times the theme was referred to by participants. Computer aided software can only assist to some extent in grouping common data. A large degree of interpretation requires mental processing and sense making (Miles and Huberman, 1994). Establishing the first-order categories and second-order themes required manual understanding by the researcher. Nonetheless, the researcher's findings have been justified with reference to the representative data (Kreiner et al., 2006).

The final step involved formulating relationships between the second-order themes. By collapsing the second-order themes, six aggregate theoretical dimensions were formed. Each of these six overarching results contributed to the strategy process and theoretical narratives. To showcase the development from first-order categories to second-order themes and aggregate theoretical dimensions, three data structures were formed. These data structures have been placed within the subsequent finding chapters, providing illustrative evidence of the coding undertaken. Key themes

derived from the collected data are presented in these diagrams. Figure 5.1 illustrates a blank data structure, highlighting where key themes are placed and linked.

Figure 5.1: Example data structure



5.6 Research Ethics

An important aspect of methodology is ethical considerations in business research (Fletcher, 1992; Aluwihare-Samaranayake, 2012). Ethics can be defined as righteous actions and principles that govern the behaviour of individuals and their relationships with others (Badham and Zanko, 2014). Within the business academic field it is becoming more important that researchers consider ethical practice within their methodology (Brand, 2009).

There are several factors, which a researcher needs to take into account prior to starting fieldwork. Starting the study with an ethical structure would also increase the validity of findings (Berg, 2001). Firstly, it is important that the participants are informed about the research rationale. Manipulation or providing misinformation is considered highly unethical (Berg, 2001). This is because the participant would join the study being given inaccurate information and hence misled. In order to fulfil this ethical consideration, an information sheet was provided to the participant. The content contained background information and the purpose of the study, informing

the participant prior to the interview. The researcher also offered to answer any questions the participant may have at any time.

Secondly, researchers must allow the option of voluntary participation and exit to their participants (Qu and Dumay, 2011). This would ensure freedom for the participant, thus removing any anxiety prior and during the interview stage. A researcher should be prepared and allow for a participant to leave. Nevertheless, a benefit of briefing the participant prior to the interview can limit the chances of withdrawal during an interview (Guthrie, 2010a). To ensure the participant was aware of their voluntary rights, a consent form was used (Appendix 8). A consent form is a written documentation signed by the participant and researcher agreeing that they have understood what they are giving consent for (Qu and Dumay, 2011). The consent form highlighted the participant's rights to withdraw from the study at any time and to offer to answers any questions. Furthermore, the form requested consent from the participants to be audio recorded. Audio recording was necessary to ensure that any part of the discussion was not missed and that all findings could be recalled at a later stage.

Thirdly, a strong ethical consideration is based on protecting the identity of the participant. It is in the researcher's highest interest that privacy is maintained for the participant, thus ensuring anonymity and confidentiality (Qu and Dumay, 2011). Protecting a participant's identity not only plays a key role in gaining consent from the participant but also ensures that the participant cannot be tracked after the study is completed. Any invasion of the participant's privacy due to this study would raise an ethical dilemma (Badham and Zanko, 2014). The researcher, therefore, needs to ensure that key factors such as names are not used in writing up the findings. The participant would also be more open to speak within the interview knowing that their response would be anonymous (Guthrie, 2010a). To ensure confidentiality, participants have been referenced using their assigned number (e.g., MNC 1 & NGO 1). It is also important that both audio recorded files and written transcripts are safely stored. These files were stored on an external digital storage with password protection. Transcripts uploaded onto NVivo were also password protected.

Finally, the researcher must ensure that there is a power balance between both parties (Qu and Dumay, 2011). The participant must not feel pressured or influenced to answer any questions. Bell and Bryman (2007) highlight that the researcher's prior understanding of the topic could generate a sense of power over the participant. A power balance was set during interviews, ensuring a neutral environment and placing the participant at ease prior to starting. A neutral environment would also advocate an open atmosphere where the participant feels free to speak without feeling intimidated.

The overall requirement for a researcher to be able to carry forth fieldwork would be to gain ethical approval from their host institution. Heriot-Watt University had approved this study.

In summary, to ensure research ethics, this study provided an information sheet and consent form to certify that participants were informed of their rights. Confidentiality of the participants was maintained with the use of assigned numbers and safe storage of collected data. Finally, the researcher ensured a power balance removing intimidation.

5.7 Qualitative Validity

The strength of any research is based on its validity and reliability (Bartunek et al., 2006). Qualitative research in particular, has been questioned in methodological reliability generally based on interpretivism (Shah and Corley, 2006). Therefore, this study ensured 'qualitative trustworthiness' through three criteria: credibility, confirmability, and transferability (Lincoln and Guba, 1985).

With regard to the first criteria, Locke (2001: 59) states that credibility has become a broad topic, referring to "the practices in which the researcher can engage during the analytic process, the rhetorical issues involved in crafting a credible publication, the relationship between the composed concepts and readers' experience, and researchers' own belief". However in a general sense, credibility within methodology aims to ensure accuracy in how the research data were recorded and interpreted

(Shah and Corley, 2006). Where interpretive methodology can raise concerns about researcher bias, it is important to ensure internal validity (Bhattacharjee, 2012). Internal validity certifies that the researcher has accurately understood phenomena gained through the data source. Member checks was utilised to ensure the credibility of the collected data (Birt et al., 2016). This entailed e-mailing a copy of the interview transcript to the participant. Participants were asked to validate the recorded transcripts or clarify any misunderstanding. This process ensured that the researcher recorded and interpreted the participant's responses correctly. Additionally, a breach of ethics in research methodology can also raise questions concerning credibility (Guthrie, 2010b). Hence, ethical considerations were observed within each stage of the research methodology such as participant anonymity.

Secondly, 'confirmability' refers to the degree to which findings from the study could be approved by others (Lincoln and Guba, 1985; Jonker, 2010). Shah and Corley (2006) suggest that a researcher can achieve confirmability through meticulous data management and recording. During the interview stage, participants were prompted to provide examples in their responses. Use of examples can provide clarity and enrich descriptions of events (Bartunek et al., 2006). The researcher also prompted for further explanation if there was lack of understanding in the response provided. Verbatim transcriptions were then scripted from audio-recorded files. This ensured that the response from the participant was written exactly as per spoken (Berg, 2001). The researcher could then gain further clarity from verbatim transcriptions within data analysis, forming inferences from the participant's response (first-order categories). Comparing the transcribed interviews can therefore ensure that subsequent themes and categories were derived from the data eliminating researcher bias.

Thirdly, 'transferability' refers to the extent to which the research findings are universal in other settings (Bhattacharjee, 2012). To ensure this form of external validity, a thorough description of the categories formed needs to be shown (Shah and Corley, 2006). The grounded approach used in this research methodology developed a data structure for each research question, shown above. The data structure highlighted how the representative data formed first-order categories and second-order themes which, when collapsed, developed aggregate theoretical

dimensions (Gioia et al., 2012). Each of these categories was further elaborated with reference to the collected data and pre-existing literature in the subsequent findings chapters. This variation of grounded theory can ensure qualitative rigour, validating theoretical contributions established in the findings (Gioia et al., 2012). To further support transferability of findings, when repetition of themes was acknowledged after sixteen interviews, a further five interviews were conducted. As a result, data satisfaction was achieved through saturation.

5.8 Conclusion

The methodology first started by identifying the philosophical standpoint. A subjective ontological position was chosen, followed by an interpretivist epistemology position. It was necessary to choose these standpoints to gain meaning from social interactions (Collis and Hussey, 2013). The notion of critical realism was also recognised, understanding that a researcher's interpretations cannot be the ultimate truth due to unseen simultaneous events (Bhaskar, 1997; Kwan and Tsang, 2001). Following a pilot study, semi-constructed interviews were the method chosen to collect data. This form of qualitative research was recognised as most appropriate due to its ability to gain in-depth understanding yet remain flexible in interview style. To select the most appropriate participants for interviews, convenience and snowball sampling techniques were used. This ensured that the study benefitted from participants that best fit the research criteria. The sample size was twenty-one candidates. This research gained access to participants by utilising personal networks, approaching key organisations directly and snowball sampling.

Data analysis was based on a grounded (Gioia et al., 2012), inductive, interpretivist approach. This chapter progressed by highlighting the ethical consideration within the methodological design. To ensure participants were fully aware of the research aim and their rights, an information sheet and consent form was provided. Throughout the research, all participants remained anonymous to protect their identity and maintain privacy. Qualitative validity was seen within methodology through credibility, confirmability and transferability (Lincoln and Guba, 1985).

CHAPTER 6

THE STRATEGY PROCESS FOR CONFLICT ZONES

- MACRO DATA ANALYSIS AND FINDINGS

6.1 Introduction

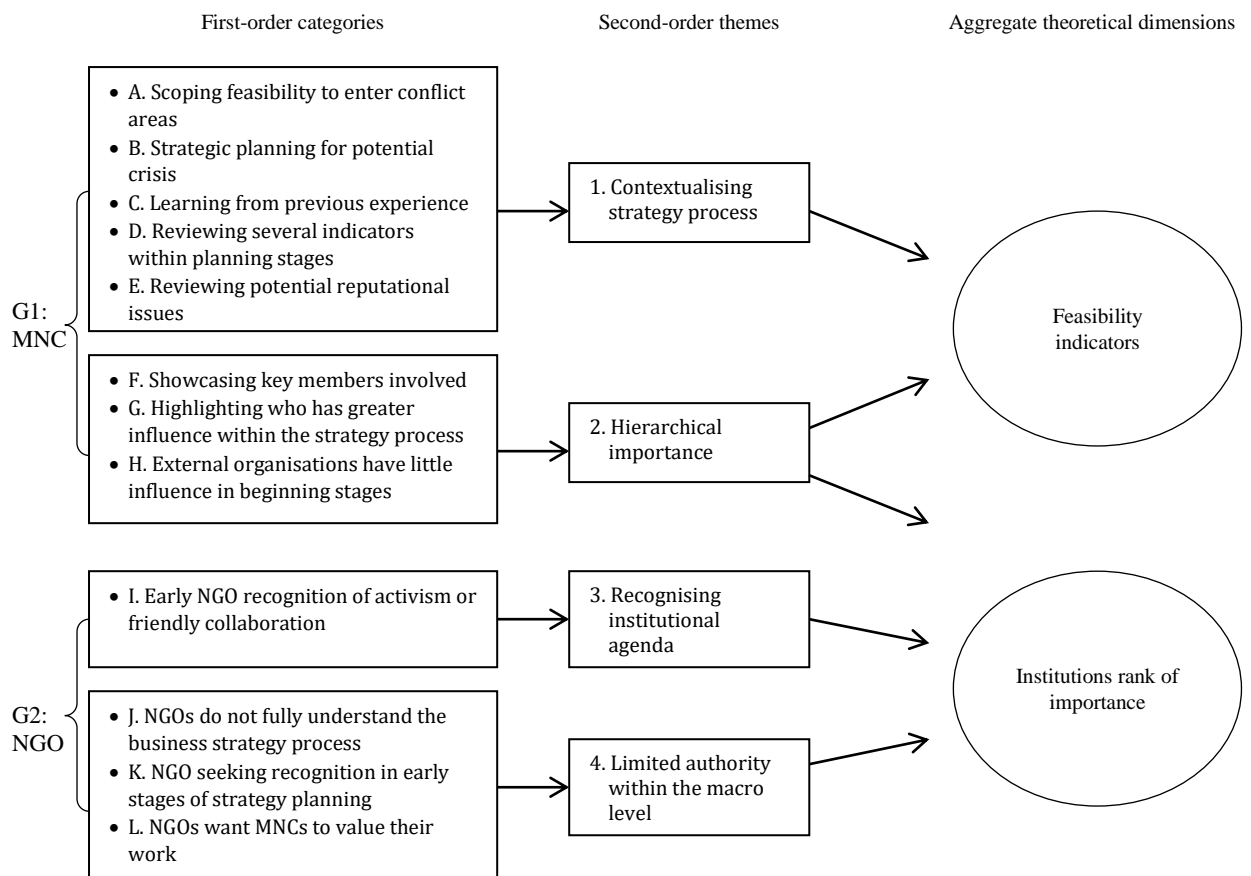
This chapter presents the first of three empirical chapters. Each chapter focuses on a specific level of analysis linked to a research question. The purpose of this chapter is to explore the first research question: *What indicators are used in the strategy process for firms entering a conflict zone?* Setting a platform for subsequent insight, this analysis was conducted from a macro perspective. In comparing several strategy processes within the literature review, four key steps were highlighted within the conceptual strategy process framework; that what had been understood in literature was included within these steps. However, from a macro level there was contextual limitation in the strategy process narrative to showcase, which key indicators firms use to operate within a conflict zone. It was particularly necessary to understanding how firms plan to enter adverse environments and where institutions are accounted for within the strategy process. This chapter will present the findings from the conducted research to address the gap, contextualising the strategy process to conflict zones. A macro level analysis required understanding the complex nature of a conflict environment and assessing how MNCs account for such changes within the strategy process.

This chapter begins by illustrating the data structure formed during data analysis. Subsequently, the chapter will present its findings in a sequential order to the themes highlighted in the data structure beginning by how firms contextualise the strategy process. Furthermore, institutional dialog is reviewed, recognising how MNCs and NGOs consider institutional placement within strategic decision-making.

6.2 Macro Data Structure

The presentation of findings follows a data structure seen in each of the finding chapters. Key themes derived from the research are presented in these data structures. The three empirical chapters will showcase representative data collected from MNC and NGO participants by highlighting how each core theme was formulated. A label has been attached to the data shared within the three chapters to indicate which first-order category and second-order theme the data refers to. This chapter will focus on the macro data structure seen in Figure 6.1. The data will then be compared with existing literature previously reviewed, contributing to the strategy process narrative.

Figure 6.1: Macro data structure



6.3 Contextualising the Strategy Process

Participants from MNCs were asked how their strategy differed when they had planned to enter a conflict setting. A variety of codes were initially established. Nevertheless, five main first-order categories became apparent, recognising a repetition when more participants were interviewed. The first two common categories recognised firms assessing the feasibility to enter a conflict zone and planning for potential crisis. As seen in Table 6.1, a major aspect for contextualising a strategy process for conflict zones is feasibility. The early stages of planning for MNCs beyond commercial interest would need to assess local issues such as security (MNC 1), movement of goods (MNC 2), immature regulatory regimes and corruption (MNC 3), infrastructure (MNC 4) and personal safety (MNC 6). Previous strategy models have reviewed environmental threats (Digman, 1990); however, this was on a commercial level. More advanced models, which take into account environmental context (Farjoun, 2002; Hutzschenreuter and Kleindienst, 2006) have been recognised; however, these do not consider reviewing the feasibility to enter conflict areas seen in the responses in Table 6.1. Discussions of feasibility further led to review how firms plan for potential crisis.

Table 6.1: Assessing feasibility and planning for crisis

Second-order theme & First-order category	Participant	Representative data
1.A	MNC 1	"Feasibility is needed...We are not even allowed to travel to Turkey from a security point of view".
1.A	MNC 2	"You first need to look at the market, the demand. Then products. This would all be done in the first feasibility study. What share we can take, competitors. Then location we can operate...We didn't think about this in depth. In Iraq there's some good areas, some bad areas, you can't move goods in some areas. A lot of restrictions. And they (local governance) can come and tax you at any time".
1.A	MNC 3	"When you get into difficult areas whether it be because of conflict or immature regulatory regimes or insecure government, corrupt regulatory systems...whatever. We take a look at the commercial

		opportunity...how feasible it is. We think is there enough part of an opportunity”.
1.A	MNC 4	“Counties are trying to rise after years of conflict. Really struggling to emerge after and some still on-going conflict. I was setting up the air traffic control bases in these places...Need to check infrastructure but more importantly air traffic management and air traffic control”.
1.A	MNC 6	“It is necessary to see if it is feasible to operate within certain markets in the Middle East, particularly when it is concerns of safety...It is a complex risk matrix. Many areas you would need to consider”.
1.B	MNC 1	“Within the first stages of our strategic forecasting we need to plan for any potential crisis which could arise”.
1.B	MNC 2	“Political stability, it matters a lot. Any day it can change. We will not go back to Iraq. Total risk prone. When you rent a place it is for some period, so you can’t pull out quickly. It is a sunk cost”.
1.B	MNC 3	“I wouldn’t actually call it strategy; I would just call it planning. Strategy is a long-term game. I would call working in these areas, planning to an extremely sophisticated level. Considering every single contingency that is likely to arise. Need a plan B and a plan C”.
1.B	MNC 5	“It’s not that we go looking for conflict countries. But unfortunately we need to extract from counties surrounded by conflict. So we must incorporate this within our plan when entering...this is needed at multiple stages of strategy”.

MNC 5 extended their thought providing a different perspective on feasibility. The participant suggested how the firm could utilise resources to make a situation potentially viable.

“At times, it is not a matter of feasibility, but rather how best we can utilise our knowledge and partners to make the situation work” (MNC 5).

Subsequently, the responses given by participants planning for potential crisis (Category 1.B) echoes what studies have mentioned within the business literature (Grant, 2003; Bullough et al., 2014). As it can be difficult to predict the constant change of events in turbulent environments, firms conduct scenario planning within

their situational analysis stage (Grant, 2003). These findings are similar to that of Jamali and Mirshak's study (2010) researching MNC managers operating in Lebanon. It was reassuring to observe that the participant responses have resonated with the importance of planning and situational analysis as noted within the conceptual strategy process framework. This shows that key elements from the literature remain relevant when applied within a conflict environment.

The next two first-order categories formed from the participant responses were learning from experience and having to review several indicators. Participant MNC 2 and MNC 4 both shared experiences, which had aided their strategic decisions. Particularly, within complex environments such as conflict zones in the Middle East, firms needed to utilise experience to formulate strategy. Dai et al. (2013) suggest that a firm's decision to 'stay or exit' from a conflict zone would be dependent on the level of threat they would receive. Additionally, Darendeli and Hill (2016) argue that the firm's capability to absorb sudden shock such as terror attacks is linked to the firm's extensive experience in such markets. Thus, MNC 2's negative experience in Iraq and Egypt shows that the consideration to re-enter countries of similar nature would be limited. As mentioned by MNC 2, in the current situation the firm would not re-enter Iraq due to high risk and loss of investment. Subsequently, MNC 1, 3, 6 and 7 share key indicators, which their firms use to prepare them for the adverse operational environment. It was also interesting to note the notion of temporality, linked to participants learning from experience. Participants reflected on different time periods which informed subsequent strategic decisions.

Table 6.2: Learning from experience and reviewing several indicators

Second-order theme & First-order category	Participant	Representative data
1.C	MNC 2	<p>"I don't think we'll go back in the current situation...When we ventured into Iraq, external consultancy firms did checks and things looked ok. However with the war prolonging, it's not been a good experience for us. Didn't make money. Retention of employees was hard due to instability of the country".</p> <p>"We also ventured into Egypt. We had a major problem with foreign</p>

		currency restrictions. We could not transfer the money back to Kuwait. The only other option would be non-ethical routes. The company could not get the money legally out. What we earn there, we could only spend in Egypt”.
1.C	MNC 4	“It can be a daunting experience. I went to Baghdad some 10 years ago having to meet with all the regulatory ministers. At a very short notice, having to take over what was US controlled air management back into the hands of sovereign control and then run it for them, using international staff, experienced air traffic controllers and managers. It is a challenge of staggering proportions especially in conflict zones”.
1.C	MNC 9	“Firms need to learn from their past experiences and also what is happening to other firms within the industry. Then they will learn how to handle the situation”.
1.D	MNC 1	<p>“Within the Middle East you will find many other big markets in terms of population, like Turkey is there, Egypt is there which is the big market again and of course Levant counties which is Jordan, Syria, Yemen. Syria is very unstable and Syria main, and Lebanon is unstable as well. And Yemen, which is having a War with Saudi Arabia. So this is very testing times, trying times. So what we do, we start off with the economic indicators, population and trade, oil price estimate for next three four years, domestic product, you could say GDP growth, GDP per capita growth, surplus for people to spend, that’s specific to our industry probably, because people will have to spend on the food, education, clothes, where they stay, their cars, basic minimum”.</p> <p>“Conflict affects conversion rates”.</p>
1.D	MNC 3	“From an early stage we do an assessment on the local context, different indicators such as corruption, safety, regulatory and political stability, environment, social context”.
1.D	MNC 6	“Banking in Middle East is profitable but only if you have your up-to-date indicators. Conflict can change the way business is done, increasing political and economic risk...Due diligence has to be done at all times perhaps more than western countries...<company name> will not fall for corrupt practices which are prone in conflict areas”.
1.D	MNC 7	“You pay more attention to the risks...this could be in the form of economic risk, micro economic risk, political risk, currency risk, risk to the sector, dismissing purchasing power”.

“Some areas may also be known for informal, improper business practice, you know what I mean? You have to watch out for corrupt individuals that will make you think this is the only way it can be done or even sugar coat it, making a transaction look favourable when it is very much unethical”.

Beyond contextual experiences, these responses reinforce that strategy is a ‘craft’ whereby processes are formed through experiences (Whittington and Cailluet, 2008). MNC 10 complements, showing how their firm understood the culture of the region from past experience.

“<Business name> has understood how to operate within the Middle East from previous experience in different regions...we know how people think here and act accordingly” (MNC 10).

Given the context of conflict zones, several indicators were mentioned as seen in Table 6.2. MNC 1 provided an insightful example that, due to an unstable environment, economic indicators have to be used such as gross domestic product. Though MNC 1 is in the banking industry, MNC 3 and MNC 7 gave similar responses demonstrating that some aspects of the strategy process would be uniform to all firms. Generally, it can be seen that firms carry out a risk assessment, which is extended into local issues such as corruption and political volatility. These key indicators would be unique for firms in conflict zones and an addition to the *situational analysis* step in the strategy process.

The fifth first-order category linked to contextualising the strategy process, seen to have high importance, was that of firms reviewing potential reputational issues. Reputation was a key phrase throughout the interviews in both questions regarding the strategy process and NGOs. This section will focus on the strategy process but will revisit the link in discussion of NGOs at a meso level of analysis. Within conflict zones, firms are faced with the predicament that their business operations could indirectly be contributing to the conflict issue. As seen in the responses in Table 6.3 this is the issue, particularly for firms within the extraction industry where conflict is evident around locations they need to operate in. MNC 5 raised the notion

of human rights within industry and forming good relationships with the locals of the operational environment. MNC 8 and 9 further shared the risk of being accused of fuelling the social and economic costs of conflict. Additionally, participants brought up the notion of time particularly where they wouldn't want conflict to hinder firm performance in de-escalation stages of conflict.

Table 6.3: Potential reputational issue

Second-order theme & First-order category	Participant	Representative data
1.E	MNC 5	<p>"In conflict zones and former conflict zones, all your business principles will get challenged. It is critical that you hold tight your business principles, things like human rights. Honouring the right to free speech, the right to unionise and form interest groups...follow the rules of law, to not give in to bribery and corruption".</p> <p>"We are not a cookie factory or an ice cream vendor, we typically need at least 5 to 10 years between explorations to getting an oil gas field off stream and then we hope we can harvest an oil and gas field for 40 to 50 years. Our kind of business is in it for the long haul. So we need to make sure we're seen in a country as a force for good as we are going to be their neighbours for the next 15 years or more".</p>
1.E	MNC 8	<p>"We know that the militants and the war is being subsidised from the money they make from tin ore. This is one of the worst that you absolutely want to prevent as a company, that you are blamed for (pause) this is the bloody money perspective, blood diamonds, blood tin, blood coal etc. And it is in the hierarchy of responsibly in the value chain, it ranks above biodiversity, water depletion, ranks above child labour. This is blood, people dying because of your economic activity and your lack of awareness, that you are funding it with your money".</p>
1.E	MNC 9	<p>"Firms face risky business operating in conflict areas...if they have built a brand image over many years, one wrong action and they could lose it all".</p>

Reputational risk is a similar notion to what Bieri (2010) and Kantz (2008) found in the diamond industry, being highly lucrative but also controversial due to the stakeholders involved in extraction and trade. This gives rise to ethical issues which

are concerned with firms operating within these unstable environments (Askari, 2012; Lujala, 2010). In these cases, forms of business engagement strategy within conflict zones shared by Wolf et al. (2007) can be a point of reference. However, as noted in the literature and coined with the participant responses, both Jamali and Mirshak (2010) and Wolf et al. (2007) recognise that these strategic choices do not fully reflect strategy-in-practise. This is due to many factors that would contribute to the strategic decision such as degree of conflict. Nevertheless, these factors have not previously been approached within the strategy process narrative, which needs to be factored in. This is particularly within the *Situational analysis* step.

Subsequent to the comments in Table 6.3, MNC 10's honest perspective shows how firms could overlook the risk of reputation if there are financial gains to be made.

"For an outside firm to come to this country they would be concerned about the reputation risk, as the media can portray this region to be very bad...But in reality there is money to be made. <Business name> saw a market and came to expand their footprint" (MNC 10).

This comment highlights that MNCs are willing to take reputational risk in entering a conflict zone to exploit commercial opportunity. In turn, the interviews were directed to recognise which internal firm members can make the executive decisions and if external organisations can influence strategic direction.

6.4 Hierarchical Importance in Influencing Strategy

In highlighting several areas of concern when planning to enter a conflict zone, participants also revealed a hierarchical importance when influencing strategy. As recognised within the *Formulation* stage of the strategy process, there is a negotiation between executives, strategy teams and internal/external influences.

In Table 6.4, MNC 1, 2 and 7 highlighted the chief executive officer and chief financial officer as the key members who can dictate strategic direction. Furthermore, firms with strategic officers and heads of business development have

also been seen to play an important role in formulating strategy. These findings are aligned with the management literature (Carter, 2013; Fredrickson, 1986; Herrmann and Nadkarni, 2014). It was interesting to identify within MNC 2's firm, the senior positions were allocated to family members. However, these senior members would take into account expert employees' analysis. In MNC 2's case, a level of internal influence would be highly regulated on what value they could provide to the senior members. On the other hand, MNC 3's level of influence would be through internal training. Though MNC 3 feels that they do not have direct control of the corporate strategy, they claim their team has an impact in influencing decisions due to working with the company executives. Within the conceptual strategy process framework, MNC 3's response can be shown by the internal influence within the *Formulation* stage. However, even internal influences would have to be recognised as a legitimate force to make any impact (Ahearne et al., 2014).

Table 6.4: Hierarchical importance

Second-order theme & First-order category	Participant	Representative data
2.F	MNC 1	<p>"It's pretty much the CEO, the CFO which is myself, we will have head of IT, head of compliance governance to tell us what are the new trends, head business development to keep a tab on where the business growth is possible".</p> <p>"Head of Marketing and other departments...They take lead but that is more on implementation side".</p>
2.F	MNC 2	"CEO, deputy CEO, chief strategic officer, division director, CFO".
2.F	MNC 7	"CEO and CFO are the main bodies".
2.G	MNC 1	"It's pretty much done locally, a bottom up approach ...Each country would have a local director...Negotiation with the headquarters when setting targets".
2.G	MNC 2	"It's a family-run business, family members have higher influence. The heads are all family members. The professionals (employed staff) would be the managers...They are open for discussions and things are run professionally with board meetings, etc.".

		“To be honest, in a big company like this, I would have little influence in corporate strategy. This would mainly be the executive council and the board of the company”.
2.G	MNC 3	“We train all levels of leaders in sustainability. That way we could influence senior leadership in applying sustainability. I can claim that my team have an impact in early and proactive engagements with our external stakeholders”.
2.H	MNC 1	“We don’t have any external pressure as such in Saudi Arabia”. “The government control which NGOs can operate here”.
2.H	MNC 5	“NGOs, government’s external stakeholders are more considered in the implementation stages. The NGOs that we work with are not really involved before we enter the country”.
2.H	MNC 7	“You first have to see if it is profitable internally. External organisations like NGOs are not needed for this. It is more an analysis of strategic positioning and expansion”.
		“You won’t find external pressure groups in Saudi”.
2.H	MNC 10	“The government will provide most things for society, the need for NGOs are limited.”

Category 2.H identified that within the early stages of the strategy process, external influence has little consideration. This was the case particularly within regions of high governmental regulation such as Saudi Arabia, where pressure groups cannot operate. Both MNC 1 and MNC 10 showcased limited external pressure and tight governmental control. MNC 5 also highlighted that NGOs are not considered in the early stages of strategy and more within the implementation stage of the strategy process. This has given an early insight into recognising where NGOs sit within the process, though their value has been acknowledged. MNC 3 elaborates this notion of limited access by external organisations.

“NGOs don’t make it to the initial planning Table. Only if they are needed to enter a new region and have specialties. It’s people like me that come in later in the process to work with external organisations. Especially in the Middle East where there is less threat from activism. This is of course varied in different areas of the Middle East. NGOs are not needed to understand if there is profit to be made or not” (MNC 3).

In acknowledgment, MNC 7 further shares that NGOs could gain recognition if they are seen as a risk. In such situations, NGOs could be recognised within early stages of analysis and strategy formulation. This highlights an area where NGOs could gain power to influence the strategy process, explored further within the meso and micro empirical chapters.

“Only if NGOs are seen as a risk factor, they could be considered” (MNC 7).

The two second-order themes, ‘contextualising the strategy process’ and ‘hierarchical importance’ in strategy making have formed the first macro aggregate theoretical dimension as feasibility indicators. At a macro level perspective, the strategy process has increased in complexity when designed for conflict zones due to several areas of concern. The concerns are with regard to the feasibility to enter such geographical areas. As a result, firms focus on planning for potential crisis by reviewing key indicators linked to the conflict. As well as commercial opportunity, feasibility indicators assess political stability, corruption, reputation and safety. Participant responses showed how experience could support in these assessments. Additionally, it had been recognised that NGOs have lower hierarchical importance in the early stages of the strategy process due to firm objectives being the forefront of concern. This in turn, questions where institutions are placed within the conceptual framework.

6.5 Recognising Institutional Agendas

During the interview process with NGO participants, it was apparent early in the discussion what the NGO’s intentions were concerning MNCs. From Table 6.5 it can

be seen that the majority of the NGO respondents wanted to work with MNCs in friendly collaboration. NGO 8, as the exception, was an activist NGO who had set an agenda to work against MNCs. It can be useful to identify at an early stage what the institutional agenda is to recognise their method and ability to influence strategy. The literature has provided examples of activist NGOs changing strategic direction in the forestry industry (Kraemer et al., 2013) and raw material extraction (Eesley and Lenox, 2006). However, within the Middle East and North Africa, using an activist approach could be difficult, as identified, governments can have tighter control.

Table 6.5: Understanding the NGO's intention

Second-order theme & First-order category	Participant	Representative data
3.I	NGO 2	"We have the desire to collaborate but we don't have the authority to make anything happen".
3.I	NGO 4	"We want to work with businesses not really to name and shame".
3.I	NGO 6	"We campaign for beneficial ownership, we campaign for payment transparency. In the extractive industry, companies in oil and mine should disclose all the payments they make, down to the project level. We campaign for supply chain diligence".
3.I	NGO 8	"Our main agenda is to make sure citizens do not purchase from these brands".
3.I	NGO 9	"We work in education, so we want to work with companies with the department that looks into social work and NGOs. We have partnered with good companies that help and donate for educational programs".

NGO 4 further commented on their organisational ethos.

“We are not a so called activist organisation. We are professional in our approach. That also does not mean that we let unethical business practise go amiss...our organisation works to regulate, making sure that firms know what they are getting into...ultimately we want to eliminate corruption in practise” (NGO 4).

NGO 4 provides a preview of how a social regulative body can operate. Though they are not seen as a direct threat to private business, the participant has shown that the organisation does not approve of unethical business practise. This highlights another area, which could be of consideration when firms gauge the importance of external organisations.

6.6 NGOs’ Limited Authority Within Macro Firm Level Processes

The type of NGOs that were interviewed varied with industry. Nevertheless, they all operated within the Middle East and North Africa region. It was interesting to find that some NGOs did not understand how businesses formulate themselves in the early stages of strategy creation. In Table 6.6, NGO 2 showcased that by being excluded within the early stages of strategy, they remained uninformed of how businesses think and plan. NGO 3 also highlighted the issue that being within a conflict zone such as Syria, MNCs may have a differing culture.

Table 6.6: NGOs’ lack of knowledge in the MNC process

Second-order theme & First-order category	Participant	Representative data
4.J	NGO 2	“The early stage of (business) strategy is usually confidential. This could be conflicting with the transparent nature of NGOs. It requires trust. That’s a challenge that takes a lot of time and discussion”.

4.J	NGO 3	“This business model (working with NGOs) is not really widespread in Syria, maybe more in Lebanon and Jordan. It was started about a decade ago, but not really developed...their (MNC) plans tend to be quite secretive”.
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NGO 9’s comments further reiterate these notions.

“It would help if I knew how these private businesses think. I could then be more successful in being included in their business planning and get more support for my cause” (NGO 9).

Subsequently, further responses showed that NGOs want not only to be included within MNC planning but also for their work to be valued. From Table 6.7, it is apparent that NGOs feel they can benefit MNCs by being involved within the early stages of the strategy process. Though this is not the case from the MNC responses, NGO 2 highlighted that patience is needed to develop trust and collaboration. NGO 2 further elaborates stating the case that NGOs sometimes have the solution that can prevent an issue from arising if approached earlier. This coincides with some MNC responses of shared value and literature stating the importance of including NGOs within planning stages of strategy (Oetzel et al., 2010; Porter and Kramer, 2011). Nevertheless, as seen within business practices NGOs have limited power in the early stages of strategy planning. This could be with the increased concerns for MNCs when planning to enter a conflict area. Additionally, NGOs 1, 4 and 11 refer to the importance of their services that they feel MNCs should value, seen in category 4.L.

Table 6.7 also builds on the notion of temporality, where NGO 2 mentioned that it takes a lot of time to develop a relationship with MNCs. This suggests that NGOs could have to work through different stages of conflict, where MNCs many respond dependent on what the geographical region may be experiencing in terms on conflict. This was the case in Katsos and Forrer’s (2015) study where businesses were more willing to join NGOs in the peace process during heightened conflict periods.

Table 6.7: NGOs seeking recognition

Second-order theme & First-order category	Participant	Representative data
4.K	NGO 2	“Well yes, it would be ideal of companies to include us within their planning stages as we can offer a lot”.
		“It takes a lot of time to develop that relationship, while you’re dealing with the tyranny of the immediate which is very much a part of our life and work. So you very much have to keep some dry powder to develop these strategies with the patience to develop that trust and collaboration”.
		“The really important thing is to include the NGO as early up as possible. As if not, things tend to fall into traditional templates even in the most progressive companies and the NGO when asked to participate, ends up having to retro fit a solution or find some options are blocked which could have been very fruitful”.
4.K	NGO 3	“I would like to influence businesses for the development of our goal”.
4.K	NGO 4	“We’ve seen with the new CEO a fundamental change of strategy to away working with stakeholders like us, to more profit-driven, never mind the CSR agenda”.
4.L	NGO 1	“We seek though partners where we feel we can take a proactive approach to working together in some of the toughest environments around the world. We are less enthused about taking a retroactive approach or deem being invited to clean up”.
4.L	NGO 4	“We are not here to run after any business. They will recognise our important services. Businesses do not have an excuse to fall into the pitfalls conflict areas can bring”
4.L	NGO 11	“We are here to do good. By purchasing our product the multi-national will be creating a change...unfortunately money talks and they want the cheaper option”.

Previous strategy process models have not included the placement of institutions, where there could be a valued benefit to overcome identified risks in planning. NGO 6 builds on this aspect.

“Yes we disapprove of businesses that think it is okay to make profit at the cost of social welfare. We will do our best to make sure regulation and policies are put into place to avoid these things from happening. However, we are also here to give value to the private sector, to recommend an ethical route in making profit” (NGO 6).

Though it was seen that NGOs have limited authority at the macro level, the findings show NGO partnership can be beneficial to firms, particularly collaborative NGOs. The literature also demonstrates the benefits for firms utilising NGO resources to increase social trust and international business operations (Doh and Teegen, 2002; Teegen et al., 2004). By collapsing the second-order themes, ‘recognising institutional agendas’ and ‘NGOs’ limited authority at a macro level’, the second aggregate theoretical dimension was an internal institutional rank of importance. Based on the NGOs’ agenda, the findings show firms can rank institutions dependent on what value they can provide to the firm. NGOs can be valuable to firms if they can help to reduce the identified risks and contribute to the process outcome. For example, the literature shows that firms have to understand local stakeholder demands within their environmental context (Kassinis and Vafeas, 2006; Galbreath, 2010). Additionally, the findings show that firms are concerned about a reputational risk by entering a conflict environment. Hence, the concept of an institutional rank of importance needs to be included within a conceptual strategy process to identify where NGOs could be beneficial.

6.7 Conclusion

The purpose of this chapter was to answer the first research question: *What indicators are used in the strategy process for firms entering a conflict zone?* From a macro perspective, the strategy process literature has been vague in identifying which key indicators firms use to enter conflict zones. Furthermore, it was not clear where institutions are placed within the process. The macro findings formed two aggregate theoretical dimensions: 1) feasibility indicators and 2) an institutional rank of importance.

Firstly, the main implication recognised for the strategy process in conflict zones was feasibility. To plan for potential crisis, participants shared key indicators specific to MNCs planning to enter a conflict environment. Commercial opportunity, political stability, corruption index, reputational risk and employee safety was identified as an important inclusion within the *Situational analysis* step. Furthermore, hierarchical importance was identified where senior management and government regulation had greater control of strategic direction over NGOs in the early stages. Due to some regions possessing tight regulatory control, external influences would need to pass a *host governing body filter* before gaining access to MNCs. Participant responses also reinforced key authors in stating the importance of previous industry experience to conduct such risk assessments (Darendeli and Hill, 2016).

Secondly, in recognising hierarchical importance, NGOs' agendas and limited authority at a macro level, firms possess an institutional rank of importance. Dependent upon the institutions' ability to add value in the strategy planning stages, MNCs can gauge how useful an NGO would be. This can be recognised as the institution's ability to reduce the risks identified in the *feasibility indicators* and contribute to the *process outcome* in the implementation stage.

In recognising how the strategy process changes from a macro firm level, it is possible to further analyse NGOs at a meso level and individuals at a micro level. To understand how institutions can influence strategic decision-making within the *Formulation* and *Evaluation* stages required an understanding of the theoretical concepts of legitimacy, power and agency. The subsequent two findings chapters will review the development of these concepts. Particularly, how NGOs can pass firm legitimacy filters given the institutional rank of importance identified at a macro level.

CHAPTER 7

NGOS PASSING THE FIRM LEGITIMACY FILTER

- MESO DATA ANALYSIS AND FINDINGS

7.1 Introduction

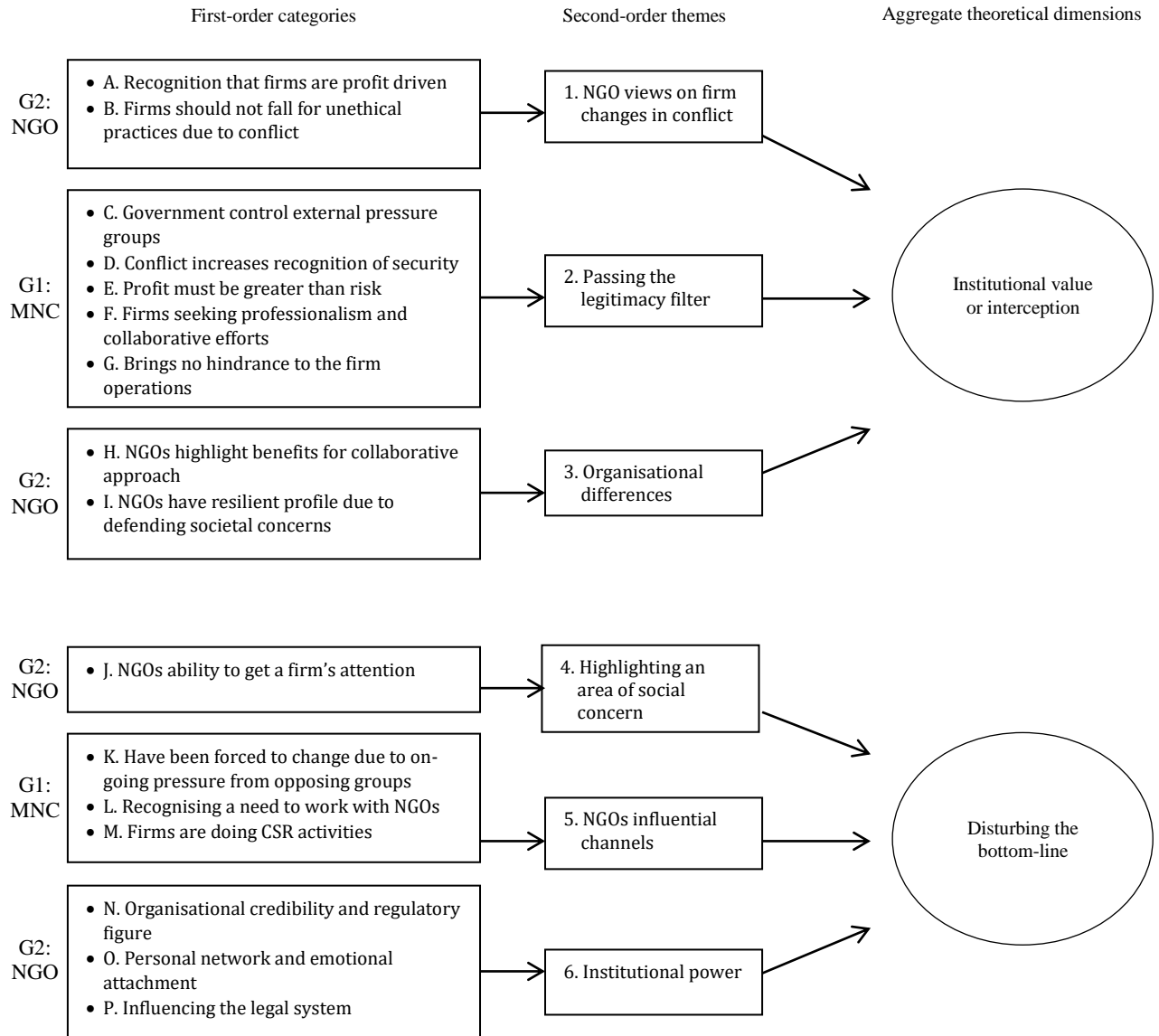
This empirical chapter presents the meso level of analysis exploring the second research question: *How can NGOs as institutions possess legitimacy and power to influence a firm's strategy process in conflict zones?* The theoretical literature shows that legitimacy and power are needed for external organisations to influence business strategy (Branzei et al., 2004; Henisz and Zelner, 2005). However, the source of legitimacy was unclear for NGOs particularly within the context of conflict zones. In connection, if NGOs could pass the firm legitimacy filter inherently goes to question how NGOs could possess institutional control to influence strategic decision-making. Drawing on institutional theory, this empirical chapter demonstrates the nature of organisational influence developing the theoretical constructs of legitimacy and power.

The presentation of findings follows the meso data structure shown in the subsequent section. The chapter begins by reviewing the NGO perspective on why firms change within conflict zones. Subsequently, how NGOs can pass the firm legitimacy filter is reviewed. This has been acknowledged as an important aspect in relation to NGOs' ability to influence strategic decision-making. The chapter progresses by illustrating the organisational differences within NGOs and different influential channels. The chapter concludes by gaining an understanding of institutional power.

7.2 Meso Data Structure

Figure 7.1 illustrates the key themes formed from a meso level of analysis. This chapter expands on each of the key areas providing representative data from the participants interviewed. The findings show how NGOs could gain legitimacy and power to influence firm strategy.

Figure 7.1: Meso data structure



7.3 NGO Perspective on Why Firms Change in Conflict Zones

NGO participants were questioned about their thoughts on why firms change when subjected to institutional pressure and conflict. Aligned with MNCs' discussions, the findings show a consistent understanding of profit being the key driver, shown in Table 7.1. When it comes to conflict arising within a country, NGO 1 echoed what many of the MNC participants said. The NGO participants understood that

businesses might exit the country if conflict hinders the monetary agenda, referring a ‘return on investment’. NGO 3, 7 and 10 concurred stating similar objectives related to profit.

Table 7.1: NGO recognition that firms are profit driven

Second-order theme & First-order category	Participant	Representative data
1.A	NGO 1	“Return on investment. Can the conflict overcome the firm’s ROI? This is one major reason why firms would want to leave a turbulent area. The second is one most seen in extractive companies where they have a policy where if any life is in any danger somebody can push a metaphorical button and the program stops...A key member would need to make this decision”.
1.A	NGO 2	“If companies choose to stay (in conflict zones), they have to choose how they stay. Do they create a bastion and create a barrier of arms...or do they decide to stay through local partnerships, through creating a mutual incentive with the community that there is enough economic benefit flowing from those business activities...this could not work if you have un-logical corrupt government”.
1.A	NGO 3	“I guess a reason why we have not been so successful in getting the business attention is we are not their main agenda. Can we increase their profits? Probably not”.
1.A	NGO 5	“<NGO name> did a big project in Lebanon...we attract companies because we buy their services. We need construction companies, people to sort out sewage systems etc....we had a tender and chose the most suitable company”.
1.A	NGO 7	“For them, business comes first. We have to talk their language”.
		“It is not so easy. In Egypt the mentality to give is not too much. You have to use emotion...otherwise it’s always about money”.
1.A	NGO 10	“During the crisis the companies that are more close to the Egyptian culture, more connected with the country were more willing to give when we could show how we were going to make an impact...Other larger companies from abroad were not prepared to talk. I think they were more concerned about what they should do, maybe leave

NGO 10 continued to state that companies with a close association to the host country were more willing to give financial aid during the conflict period. This shows that financial support to NGO causes can be linked to firm culture, increasing the ability to influence.

"During turbulence, companies were more supportive. I think because of the national spirit. People want to help during crisis" (NGO 10).

With a slightly different perspective, it was seen that NGO 5 possessed control, as their relationship with companies was to hire firm services. NGO 5 had already gained funding before entering the country, thus their main agenda was to set up refugee camps within Lebanon. This showed a shift in attitude in the way the participant spoke about firms. NGO 5 further elaborated the importance of NGOs' work within conflict regions due to spill-over effects between neighbouring countries.

"I guess that could be the reason why we are working with Lebanese hosts. There was a fear that what was happening in Syria would spill over especially on refugee work...It can be a huge burden for a village population to increase by over 25% living in tents, sometimes in unsanitary conditions. We wanted to make sure the services we provide limit the spread of any disease" (NGO 5).

NGO 5's comment coincides with studies within the management literature showing the importance for businesses to rejuvenate the local economy and include development strategies within their operations after a conflict period (Oetzel et al., 2007; Driffield et al., 2013). Firms have the ability to support NGOs on social agendas (Idemudia, 2010), however, as seen the actuality of business support would be dependent upon the firm culture (Galbreath, 2010).

The study of Vachani et al. (2009) on NGOs influencing business social development strategies, showcased how NGOs have gained the ability to apply pressure on firms to support social causes. The aspect of influence was based upon firms generating high income from the host country or firms being criticised for causing negative externalities within the local community. Therefore, it can be argued that a key step of influence is to recognise the main business objectives. The second aspect mentioned by Vachani et al. (2009) suggested a regulatory role, where NGOs have influenced by representing the community voice. This was also identified by Den Hond et al. (2015) and Zald and Lounsbury (2010), where NGOs questioned unethical business practices.

Subsequently, many NGO participants further expressed their concerns for firms becoming unethical when operating within the nature of conflict environments. Due to some attributes linked with conflict such as lack of regulation and corruption, firms have been seen to adapt their business operations to suit the culture of conflict countries (Cuervo-Cazurra, 2016; Gambardella et al., 2016). Table 7.2 shows participants' concern for firms conducting unethical practices due to operating with conflict counties.

Table 7.2: NGO concern for MNC unethical practise

Second-order theme & First-order category	Participant	Representative data
1.B	NGO 2	"We are pro on working with the business sector. However, we make sure that we do not work with any companies that have been known for giving into unethical practise, such as bribery or working with terror groups".
1.B	NGO 4	"If any business operates within the MENA region, this is no excuse for them to say that 'oh we had no idea that it was high risk or there was a lot of corruption here'. We publish research, we publish the index. It's not difficult to find out very quickly that if you want to sell cars in Egypt there is a lot of corruption in Egypt and it means you need to understand how you are going to set up business there to prevent your business to either be a subject or involved in those kind of businesses...In Iraq there is a lot of other issues which all get tied together, there's corruption but there's also a chance you may need to

		pay protection money due to security issues”.
1.B	NGO 6	“There always is a reputation risk by staying, you might get caught up in legal roadblocks... We want companies to stay (in the country) in an ethical way”.
1.B	NGO 7	“Being in a developing country we go through all sorts of issues. We have a lot of corruption, administration is slow, if people know someone they could use that benefit for themselves and not for the business”.
1.B	NGO 8	“During the war in Gaza. One of the factories in Gaza was producing milk. It was famous as it was the only factory in Gaza that produced milk, yogurt and all the dairy products. During the war, Israel bombed this factory. Even when it was far away from any resistance...We think that there is a strong link between the Israeli Army, the Israeli government and the Israeli companies”.
1.B	NGO 11	“You need to be careful. People say one thing and do something completely different”.

NGOs’ view on unethical business practise is well cited within the management narrative (Fort, 2009; Getz and Oetzel, 2009; Laureiro-Martinez et al., 2015). Within a conflict context unethical business has been seen to increase due to insurgency and lack of regulation (Anderson et al., 2010). Additionally, within these contexts MNCs’ actions are criticised if they are contradictory to NGO objectives (Land et al., 2014; Kolk, 2015). It can be seen that firms change their strategic direction if there is an external impact upon their financial investment and profit margins. As well as return on investment, it was noted that if the conflict were a security risk, either to the brand image or personnel, many firms would withdraw from the conflict region. Where NGOs operated in the same environment, the concern for unethical business practices was shared in most participant responses. From Table 7.2, NGO 2 and 4 highlighted a strong stance objecting to firms engaging in unethical actions such as bribery. NGO 4 further reiterated that MNCs need to incorporate preventive measures within their strategy process, or the NGO would have to regulate their operations.

“It should be a big part of their (MNC’s) strategy that they plan to avoid corruption. We will hold companies’ account of that. And if they don’t design their strategy and say it’s just the way they do business to the local conditions, than we will not have a lot of sympathy for that” (NGO 4).

NGO 4’s comment demonstrates that MNCs have been seen to fixate their operations with ‘the way of doing business to the local conditions’. Within the NGO bracket, there are different sub-sectors which seek different resources from MNCs (Werker and Ahmed, 2008). Participants NGO 1, 2, 3, 5, 7, 9, 10 and 11 all want to connect with MNCs to gain financial and knowledge resource which would support their own social projects. On the other hand, NGO 4, 6 and 8 are focused on regulating business practises with the concern of social welfare as their main objective. From the latter group of NGOs, it can be seen that their main objective is to ensure that businesses do not gain financial benefit at the cost of leaving negative externalities to the host country. Thus, there can be a clear identification and differences in the way each participant gives their responses. Nevertheless, the findings show that there is an underlying theme throughout NGOs’ ability to influence strategic direction. Whether NGOs are regulating business practise (Baur and Arenas, 2014) or seeking resources (Meyer et al., 2009), they have become a key aspect within firms’ strategic dimensions. As Peng et al. (2009) articulate, an institutionally based view can help to understand the firm’s change in strategy.

Participant responses highlighted the difficulties of operating within a conflict context. NGO 6 and 7 coincide with Brammer et al. (2012) and Jackson and Deeg (2008) showing the implications of international business in developing nations. From the responses, NGOs have recognised that firms are profit-driven but do not want them to engage in unethical practices. MNCs possess the ability to develop a conflict nation (Kolk, 2015), yet have been observed to operate unethically being criticised by NGOs (Cuervo-Cazurra, 2016). Additionally, as noted from a macro perspective firms rank institutions based on their ability to add value to the strategic outcome. As a result, institutions gain importance particularly if they can reduce the identified risks in the situational analysis stage, such as reputation. This notion begins to highlight how NGOs could pass firm filters at a meso level of analysis.

One aspect of how firms make strategic decisions is based upon how the company wants to be accredited from a global perspective (Tolbert and Zucker, 1996; Den Hond et al., 2015). For example, though some anti-corruption NGOs cannot operate in certain regions of the Middle East such as Saudi Arabia (due to tight governmental regulation), MNCs still need to maintain an international reputation. From the participant responses, extractive companies faced more external pressure to change. Thus, these firms have had to integrate professional measures within their strategic direction such as including sustainability or external relations departments. MNC 3 elaborated on this theme.

“Over the last 10 years there has been an acknowledgement of the impact these kinds of risks that can impact our ability to deliver our objectives...Impact on cost, impact on schedule, impact on reputation, etc. So folks like me have started to now have a seat at the table” (MNC 3).

“We have an organisation in <company name> that focus on NGO relations. They take a look at what the challenge to <company name> may be. They look at how respective they are with collaboration of discussions. Because you know, some don’t really have any interest, right. They want to make a point of what they are trying to make a point about. The more you engage with them the more it allows them to leverage that to get the publicity that they want. So in some cases you can engage with these folks (NGOs) and have good discussions and work on solutions. And in some cases we decide we are not going to engage at all with these folks. Just because it doesn’t lead to anything constructive, only just fuelling the fire, say to speak” (MNC 3).

The commentary by MNC 3 shows how, through consistent pressure, NGOs have been recognised within strategic discussion. The social pressure from NGOs has developed the firm into wanting to be accredited and legitimised by the public. MNC 6 and 7 further reiterate highlighting that sustainability is also becoming integrated within the banking sector.

“The industry has changed. It cannot just be about business banking. Business actions need to be sustainable and that’s why people like me are integrating pretty much a new concept. Formal discussions on sustainability and social development didn’t exist here, but the international community has spoken, changing the way our company thinks” (MNC 6).

“NGOs have more and more influence because they represent the public opinion. And public opinion is getting more concerned about the actions that corporates are taking that are negatively affecting the environment and particularly from a reputational risk and how this is affecting in the media” (MNC 7).

Therefore, from a meso perspective, strategic change can be governed by how firms assess the impact of NGOs and organisational culture. Firms that operate within a conflict context are faced with social expectations set within an institutional setting. Hence, to eliminate risk and meet social expectations MNCs have to respond to NGO claims. However, from an MNC perspective the findings show that not all NGOs could pass firm filters due to the complexity of a conflict environment and lack of legitimacy.

7.4 Passing the Legitimacy Filter

The core of the second research question was to understand if NGOs have legitimacy and power to influence business strategic decisions. From the literature review, it was conceptualised that NGOs have to pass a legitimacy filter in order to join the strategy-making discussions with strategy teams and firm executives. MNC participants shared their experience on how NGO influences could enter strategic decision-making. As a result five key categories were recognised, aligned with external influences passing the firm legitimacy filter. The first category gave reference to the *host governing body filter* within the strategy process.

The conversations with MNC participants show that most countries within the Middle East and North Africa (MENA) economic zone are affected by conflict to

some degree, as shown in Table 7.3. As a result, firms and governing authorities have become vigilant with the local indicators described in the previous chapter, particularly with the operation of pressure groups. Consequently, the concept of external organisational influence was linked to governmental control within the MENA region and limited pressure groups. However, MNC 2 highlighted that NGOs could influence ‘the world opinion’, highlighting how NGOs could gain institutional control where there is tight local governmental regulation.

Table 7.3: Governmental control on organisations

Second-order theme & First-order category	Participant	Representative data
2.C	MNC 1	<p>“Though Saudi has trouble with some of their neighbours...we don’t face any particular NGO pressure...there is a tight control in this country”.</p> <p>“The local governance has more of an influence on strategy...they can dictate what we can and cannot do”.</p> <p>“At least in Iraq and Egypt, we don’t face any pressure from NGOs. They have no role...government does not allow, there is no freedom of speech. I don’t think they can influence in any particular way. Because survival of them (NGOs) is of question. There’s <international NGO name>, they are doing humanitarian work, but that is also difficult. They are not strong enough to play a threatening role”.</p>
2.C	MNC 2	<p>“Middle East it is difficult for NGOs due to the current monarchy situation...They (NGOs) can easily be put down by the government”.</p> <p>“The political climate has more influence. It’s not so democratic. Only in democratic countries these people (NGOs) can play a stronger role...Of course they can influence the world opinion, but the government must enforce the change”.</p>
2.C	MNC 4	<p>“We didn’t have any connection with NGOs. For example in Baghdad, we were very well self-sufficient...We had built our own compound with our own security. We didn’t need any agency to support such as the United Nations. When times were difficult NGOs couldn’t last, they were not present. I mean, it was a war zone. Nobody could get in, nobody could get out, except us”.</p>

2.C	MNC 9	<p>“It can be hard for NGOs as governments have a tight control on who can operate in their country. They don’t respond to external threats very well, particularly when external organisations criticise the governance”.</p>
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The participant responses show that due to governmental control, it can be difficult for some NGOs to enter the country. The firms themselves have been restricted in how they can operate in particular countries as participants MNC 1 and 9 expressed. MNC 6’s comments further reiterate how they feel about receiving pressure from NGOs.

“We don’t really feel pressure from NGOs. We are very sure what our parameters are where we operate. This goes with whom we work with and how they can report back to us transparently what the impact is” (MNC 6).

MNC 6’s comments show how multinational organisations have a filter on which external organisations they work with. Thus, one aspect of how firms gauge their external pressure is by recognising if the governing body authorises the organisation to operate within the country. This finding coincides with Goodstein and Velamuri's (2009) recognition of national states using power to maintain control. Subsequently, the comments highlight the difference between the variety of institutions and their regulative ability (Fremeth and Shaver, 2013). Thus, it can be argued that an NGO’s capacity to directly influence firm actions would first start with their ability to fulfil local governmental regulations.

Arregle et al. (2013) show how firms change due to regulation from regional political institutions. The study demonstrates how firms consider their institutional setting within their international strategy. This further reiterates how institutions can influence strategic direction. However, these institutions are seen as governmental regulators. Kolk and Lenfant's (2012) review on business collaboration with NGOs showcases that most partnerships in conflict zones are based on philanthropic deals. MNC 1 and 2’s comments indicate the same narrative where some firms have described a voluntary choice when asked about working with NGOs.

“In terms of sustainability, it’s pretty much an internal part...It’s more our internal culture. There are no regulatory requirements...we do this (work with NGOs) from a voluntary aspect” (MNC 1).

“<Company name> is not very active in the social sector. They do charity because charity is there in Islam. They do charity but just financial, nothing else...during Ramadan they give a lot of funds...It’s all personal level, not company level” (MNC 2).

Following the acknowledgment of governmental control, the second key category was the firms’ recognition of increased security within conflict areas (Table 7.4). It was identified that a firm’s strong concern when operating within conflict areas was the security resource that would be needed. This concern was considered of more importance than the effect NGOs could have on the company.

Table 7.4: Conflict increasing recognition of security

Second-order theme & First-order category	Participant	Representative data
2.D	MNC 3	“It makes good business sense to understand and address the challenges being posed to us. Any profit-driven organisation isn’t going to change unless they feel an impact to the bottom line. I’m just being brutally honest, right? Shareholders expect you to make a profit and make a certain return. And unless the external force is going to challenge those, you are not going to see much change...there has to be an actual security risk to make a direct impact”.
2.D	MNC 4	“My company did have to pull out of Erbil when the ISIS forces were about 70 kilometres outside of the city...With an international staff of around 100 people stationed there, as a company they couldn’t guarantee the personal safety, and if needing evacuation, they would have to pull out”.
2.D	MNC 5	“Yes, we feel pressure always, everywhere...We have to select the business we want to enter and the location of the business. The security has to be of a certain level. If there is a risk that people will get killed from conflict then it is likely we will not operate. We were active in Syria when the civil war really started. We only had one

		choice, that we close the operation and pull our people out. Including the local staff. We are not party for gangs with machine guns”.
		“Our decision to pull out of Libya and our decision to pull out of Syria was not because of pressure from any institution. That was totally based on the security going to the level we couldn’t control”.
2.D	MNC 6	“We cannot work with some NGOs, as put quite simply we do not want to take a risk. What’s the point of working on a project when we are putting not only our reputation on the line but security measures also”.
2.D	MNC 9	“Look, it’s always going to be a matter of risk assessment first. When we go into these unstable areas we have to know what security will be provided to us and how much we have to organise ourselves”.

MNC 3 simply summarised what most of the participants had mentioned. MNC 3 articulated that a firm would not change unless there was an external attribute, which would impact the “bottom-line”, referring to the financial gains a firm can make. This notion resonates with Arregle et al. (2013) showing that firms are more likely to respond to institutional demands if the external pressure can hinder a firm’s profitability. Subsequently, firms have recognised as a first liability, security is needed when operating within a conflict environment where the business and personnel could be at risk. Both MNC 4 and 5 shared cases where they had to exit business operations due to the potential of colliding with terrorist groups or the local governing bodies could not provide adequate safety due to internal civil conflict. However, some participants, such as MNC 6 thought that external stakeholders would be a hindrance in conflict regions. Conversely, MNC 5 continued to express how they found local stakeholders beneficial in security.

“We have to use the local security... we ensure that the security take training in human rights...the best security are from your neighbours. If you operate in a village, have a good relationship with them, they would be your best security. Things like shared value creation, things like security come in hand. It’s very practical. It’s nothing to do with charity. This is all shared responsibility for the future and bonding. This was the case in Iraq” (MNC 5).

MNC 5's thoughts coincide with Bourne and Jenkins (2013) showing how connecting with stakeholders can create a symbolic value which in turn can benefit the firm beyond monetary gains. Hence, a sense of value needs to be articulated for firms to legitimise NGOs. The notion of collaborative efforts with social organisations was also expressed in other studies whereby external groups supported firms within conflict regions (Branzei and Abdelnour, 2010; Den Hond et al., 2015). Nevertheless, where security was a key concern for firms it was seen that within strategic discussion, financial gain must be high enough to cover potential risk factors and extra costs linked to operating within conflict regions. The third category was therefore formed on the basis of profit forecasts.

When entering into conflict zones, firms must prepare for not only scenario planning but also ensuring that external pressure does not intervene with business operations (Grant, 2003; Jamali and Mirshak, 2010; Husted et al., 2016). The responses given by MNC participants in Table 7.5 are reflected within management narratives. It was seen that though profit can be made within the Middle East for many multinational companies, firms have to ensure that profit margins can cover potential risk factors. Participants MNC 2, 3, 5 and 8 expressed these notions. However, MNC 4 elaborated how businesses decide their movements dependent upon the organisational ethos in every level within the firm. MNC 3 also succinctly shared that their firm wants to collaborate with external organisations but will not promote social investment unless it can be linked back to the firm's project. This reflects how firms begin to gauge their external pressures.

Table 7.5: Profit forecast must be greater than risk factors

Second-order theme & First-order category	Participant	Representative data
2.E	MNC 2	"It is experience. What we experience in countries we apply to all. We learn many things in how to deal with situations. This can be applied to all regions, which experience similar things such as political instability. If there is enough gain to be made, we will use our knowledge to get in and explore markets".

2.E	MNC 3	<p>“Everything is underlined by profit. When we work with external groups, we tell them straight up, we are only interested in doing good things in the places we operate and we want to work collaboratively. But in all honesty, we are not going to do a bunch of activities and invest a bunch of social investment dollars unless it can clearly be linked back to our projects”.</p>
2.E	MNC 4	<p>“Most of the countries in the Middle East are tinder boxes...Bahrain is a very good example...in 2011 there was major conflict in Bahrain...there was major demonstrations with tear gas, shooting at demonstrators, people dead, international attention, curfew clamp-down, etc. And here yet we were continuing. Many western expats left the country and came back once it all settled down...It's the organisational ethos, if you have a culture which is embedding within your organisation, which is percolated finely throughout all layers throughout the company, then you have a motivated organisation”.</p>
2.E	MNC 5	<p>“A key part of strategy is to make sure that there is enough profit to be made which can outweigh the risk analysis...If we need to extract in conflict areas, we have to account for certain measures. This too, will have a cost”.</p>
2.E	MNC 8	<p>“What would make companies change their decisions to act within conflict zones is always linked to cost and financial return...This is beyond CSR activity. CSR is always a by-product if it does happen. But the company is a business. The overall goal is to make money”.</p>
2.E	MNC 10	<p>“This is a Chinese company doing business in the Middle East. They would not come if they felt it would be a failure and would get caught up in terror attacks”.</p>

Within the initial discussions with MNCs on external influences, it was apparent that governmental control, security and profit were of greater concern. However, firms still faced institutional pressures from NGOs regardless of the comparative importance, which could impact strategic direction. Hence conversations with MNCs subsequently led to an understanding of how MNCs legitimise which NGOs to respond to.

During data analysis, the fourth category linked to passing the firm legitimacy filter was collaborative NGOs who are professional in their approach. In this sense, MNC

participants referred to ‘professional’ as working within their business model. Table 7.6 shows participant responses on what MNCs seek from NGOs. The underlying theme shows that firms want to work with NGOs that are cooperative. MNC 3 and 8 further elaborate describing how activist NGOs do not want to communicate within a business in a professional manner and, as a result from an MNC perspective, these types of NGOs lose their legitimacy. Most of the participants, referred to working with NGOs who possess good reputation and can be trustworthy within their operations. This was also described by Den Hond et al. (2015) where MNCs are more likely to collaborate with NGOs if both their interests match and NGOs are willing to become a partner.

Table 7.6: Firms seek professionalism and collaborative efforts

Second-order theme & First-order category	Participant	Representative data
2.F	MNC 1	<p>“There are some NGOs that we work with...these are the ones that have been given a clearance by the government in terms of what they can do in Saudi Arabia and have registered...We go through their (NGO) charter, articles of association. We run things throughout our head office, making sure there is no conflict of interest...We don’t want any surprises later on”.</p> <p>“We generally find common grounds...there is a fair amount of information (about the NGO) on websites also these days, so we do that”.</p>
2.F	MNC 2	<p>“Of course we legitimise. There are so many sources now with the internet...we do some background checks. We also get them checked by some reputational agency if required”.</p>
2.F	MNC 3	<p>“It comes down to their willingness to cooperate and have meaningful conversations. I’ve had the opportunity to have conversations with many NGOs and many of them are just not willing to listen, no matter how much you talk about things. They will just continue to find ways to criticise and oppose working constructively and for those organisations, and <international NGOs name> is a really good example, I mean, their organisation won’t make money by constructively working on issues. That’s not their business</p>

		model...Their business model, they get funding from donors for the type of activities that they engage in and the impact on businesses”.
2.F	MNC 5	“There is a selection process. If we can meet with a matching vision then we can work together. That’s how you progress with partnership”.
2.F	MNC 6	“We check if the NGO is involved in money laundering...being a bank we have easy access to these databases...we also have other internal measures about their track record, media coverage, how they have been affiliated with type of terrorism...in addition to that we also look at their track record of delivering projects, what their reputation is within the community and also what percent of funds that they raise goes into administrating and what goes into the community”.
2.F	MNC 8	“There are NGOs that feel that they need to be listened to because they call themselves an NGO. If you look at NGOs, there are different classes of NGOs, there are activists. You got the ones that want to cooperate. You got the ones that respect that it is a journey and also you got the ones that are realists of what they can influence and what not. And so how do you make that selection? It is a function of the purpose they have, do they have the global reach, what is their reputation?”.
2.F	MNC 9	“From the company’s point of view they look at the NGO’s reputation, their value worth, but also competition. There are many organisations that fight to be on top and connect”.

Rodríguez-Pose (2013) states that NGOs have to be collaborative but also competitive. The competitive nature within NGOs will increase the chances to gain recognition by MNCs and would improve an NGO’s professionalism. Nevertheless, MNC 9 summarised the majority of the responses by describing a sense of value to the firm. This would be based on a strategic, pragmatic type of legitimacy offering a mutually beneficial option (Suchman, 1995; Suddaby et al., 2017). The external force would position themselves in line with the firm’s objectives, increasing the chances to enter the firm’s formulation stage of strategy. However, this would only be successful if the firm does not feel threatened by the external force (Selznick, 1996; Dacin et al., 2002). Participant MNC 9 continued to share that NGOs also possess the ability to bring legitimacy to the firm.

“From what I have seen, the NGO can bring legitimacy for the firm in terms of reputation but also in terms of local network...that is something that is quite important with the relationship with the company” (MNC 9).

Given the type of business operations firms are subjected to societal pressure. The empirical findings show that within some industries such as the extractive sector, firms are equally looking for NGOs who can enhance the firm’s credibility and brand image.

“We have discussions with various environmental NGOs to address issues and work on problems together...they (NGOs) are a trusted source so we should include them (MNC 3).

This form of credibility has been described in the literature (Escobar and Vredenburg, 2011). Firms using NGOs as a knowledge resource or connecting for CSR purposes can enhance a positive image (Brammer et al., 2012; Cordeiro and Tewari, 2014). However, it can be debated whether firm actions are driven by moral or strategic principles. Nevertheless, NGO participants continued to highlight how external forces can gain legitimacy by not interrupting business operations. This notion formed the fifth category of the second-order theme. The responses shown in Table 7.7 show that MNCs assess external organisations ensuring that they do not bring any hindrance upon business operations. MNC 5 (director of sustainability) described that though the firm has created provisions for CSR, the participant has to pitch internally as to why the firm should work with an organisation. This shows that there is a thorough internal screening process of legitimacy before access is granted and partnerships formed.

Table 7.7: NGOs not interrupting business operations

Second-order theme & First-order category	Participant	Representative data
2.G	MNC 1	“We want to do some work in the society obviously, but if it is not acceptable to the government or not acceptable to <company name> then we wouldn’t do that”.
2.G	MNC 3	“You can’t have constructive conversation with <international NGOs name> if they don’t want you to be there, period”.
2.G	MNC 5	“We would screen the project first before the NGO. If the project makes sense then we would screen the NGO. We have an internal team that then have to answer to the senior management”.
2.G	MNC 7	“Though <MNC name> has set aside a budget to work with NGOs, I still have to pitch as to why we should work on this project...My team carry out thorough screening before we even engage in any conversation”.
2.G	MNC 7	“We can’t discriminate between the NGOs. If they have made a statement and it gathers public attention we must address them. The companies which we work with and fund only want to mitigate risk. I guess, the smaller the less relevant. But how can you define what is a small NGO. I tend to class all NGOs the same. Rather assessing the NGO, it’s about assessing the comments. It’s not about the quality of the NGO but it’s about the quality of their work”.
2.G	MNC 9	“In theory it seems that NGOs are doing something good and that the company want to make money. But too often we forget that the NGO have their own agenda, their own political view, they may have their own intrinsic difficulties”.

MNC 7 began to explain why firms have such control measures within their organisation. It can be seen that due to NGOs possessing the ability to gather public trust, any comments made on MNCs can affect the running of the business. Werker et al. (2008) and Bitektine and Haack (2015) recognise this phenomenon within management literature. Therefore, one method where an NGO can be accepted as a legitimate source is to be resourceful in achieving the firm’s objectives. In other

words the NGO would need to be of value. However, it is well recognised within the literature that NGOs operate in different ways. This opens discussion towards understanding the organisational differences between NGOs. Although MNCs prefer to work with a certain type of NGO, there have been cases where non-collaborative NGOs have gained influential ability (Doh and Guay, 2006).

7.5 Organisational Differences Within NGOs

It has been seen how MNCs legitimise external organisations. However, to comprehend the complete situation it is important to gather an NGO perspective. The way in which NGOs approach their relationship with MNCs differs dependent upon what they seek, whether financial resource or change in business operations. The first reoccurring category in this theme was recognising that NGOs have understood the benefit of taking a collaborative approach. For NGOs that possess an objective to fulfil a particular social project, connecting as a partner with MNCs would be beneficial to their cause.

As seen in Table 7.8, NGO 1 and 2 have understood that in order to work successfully with an MNC they have to take a collaborative, professional approach. What MNC participants shared was well articulated by NGO 1 and 2. It was also understood that activist NGOs have made the legitimacy process difficult. However, NGO 2 defended activist NGOs stating that the actions taken by such NGOs may be necessary when required. Thus, there seems to be a connection and mutual respect between differing causes and approaches.

Table 7.8: NGOs legitimise their approach in line with business collaboration

Second-order theme & First-order category	Participant	Representative data
3.H	NGO 1	“Each one of the layers within the organisation needs to have their own credibility and a common strategy that runs through each one of those layers”.

		“We do not make any specific demands but are very encouraged when the company communicates the partnership internally”.
3.H	NGO 2	“Within the NGO community there is a vast array of sub sectors and we are economically-driven, market-based very pragmatic through local partnership and through strategic partnership. That’s how we see our work getting done. We do not see our work getting done with full-page ads in the New York Times or by protests. That’s not to say that those types of acts are not legitimate, where it can be required with those companies or with those activities that deserve that type of response. But it causes distrust with the whole NGO community”.
3.H	NGO 3	“In 2011 we had some good communication with local businesses...but with the shift in the situation things have changed. So we don’t want to bring effort because nobody will recognise the environmental conservation. They say that there is something more important...This is one of the dilemmas that we are falling in”.
3.H	NGO 7	“Being very transparent of the dealings with the company. How we handle our finances, being experts validating everything that we do. And then communicating our actions and communicating our impacts as well. There could be more things we could do but at the moment we are only really doing these two things”.
3.H	NGO 9	“They check before donating that our procedures and measures are in place”.

NGO 3 touched upon competition between NGOs who are focused on different causes. NGO 3 also expressed that being within a conflict zone, firms prioritise importance in terms of CSR. In reference to Scott’s (1995) institutional pillars, NGOs could take either a normative or cogitative approach. A normative association would be pragmatic for a firm’s need for professionalism. However, it has been seen that different firm’s would connect with different NGOs that take a cognitive approach. Within a conflict context firms would choose an NGO that would be most relevant to a situation. The empirical findings show fewer cases where firms support an NGO on the basis of the NGO’s knowledge alone. Either there would be a social obligation, support during a crisis period or the firm would be gaining something in return from CSR. Nevertheless, for a collaborative NGO to pass the legitimacy filter, Table 7.8 indicates that NGOs understand what is expected of them.

From the MNC responses, being of value to the company appears to be the main barrier. On the other hand, NGOs have also been able to sway MNCs decisions by possessing a resilient profile from defending societal concerns. As identified earlier, MNCs are concerned with NGOs as they are supported by a public opinion. The responses in Table 7.9 highlight a strength that NGOs possess. Each NGO has selected a particular cause that they support. This provides the NGO legitimacy from a section of the population (Vachani et al., 2009). NGO 3, 4 and 10 expressed that being an expert within the field has allowed them to be known for what they do. However, being well known would not necessarily provide value for firms where NGOs could regulate business actions.

Table 7.9: NGOs resilient profile in defending societal concerns

Second-order theme & First-order category	Participant	Representative data
3.I	NGO 3	“As we are one of the leading NGOs dealing with environment (in Syria) we don’t want to change our strategic focus and our goal. Because the situation is bad it is tough, but hopefully things will settle down and we can keep running”.
3.I	NGO 4	“We have a fairly high profile in our sector and could be seen to be a leading NGO in the anti-corruption space. That means that companies do know who we are and do understand what our role is...so legitimacy is easy for us as we are well established and we have a good reputation”.
3.I	NGO 6	“We don’t tend to sort of help companies with any other means but trying to make the system work better for the people of these countries... If you find gold in your country a fair share should be benefited to the people that live there, you can get private companies but a fair share of tax revenue should be, you know, there to build roads, schools etc.”.
3.I	NGO 7	“We do not deal with corruption...There are some businesses that work in the grey area of business. We refuse to work with these companies. But in a developing country, a lot of business will work in the grey area. So this is a lot of companies you don’t want to work with”.
3.I	NGO 8	“We talk about emotions, facts and figures, dignity, freedom. It is not

		only economy but also a matter of dignity and colonial regime...During the war people are more emotional against the war. People want to boycott Israeli goods. Many Palestinian supermarket chains declared that they are freeing their supermarkets of Israeli goods that they are with the Gaza. But this was for PR to get more people to buy from them. But after, they started stocking Israeli products”.
3.I	NGO 10	“Now we are working for around 10 years, it is based on our record and our activities. On the conference we did, on the training we offer”.

NGO 4 continued explaining how being within the anti-corruption sector, some firms try to avoid any connection. On the other hand, being connected with this NGO also gives credibility to the firm showing support of their objectives.

“If someone wants to join our forum then we do our due diligence process, we don’t just let anybody in. We go through a process, that allows companies to join...there is also a process to expel them where our leverage comes in. We have conversations with companies that are not doing the right thing” (NGO 4).

The findings show that possessing concern for the welfare of the public allowed the NGO to apply institutional pressure. A concern for the public can be seen as a source of legitimacy for the NGO to question MNC practice, even if the NGO did not pass the legitimacy filter set by the firm. Where NGO 7 had taken an approach to avoid ‘businesses that operated in the grey area’, NGO 8’s approach is to intentionally affect a firm’s business operations. As NGO 8 stated, they use emotion, fact and figures to gather public interest. NGO 8 has continued to share a case study, which gathered support for their cause to oppose firms.

“My friend had started a mushroom farm. There was no mushroom farm in Palestine. All mushrooms were from Israel. They invested lots of money...to grow mushroom you need special soil, special conditions, lots of things...they got loans from the bank and they started succeeding. They started labelling saying it’s pure Palestinian products. The Israeli company connected with

them saying, why don't they sell the mushroom to them and they can then re-sell it to the Palestinian people. Don't compete with us. These young people refused and wanted their own brand...The second time they ordered the special soil the Israeli border authority prevented them from importing this compost and soil. They held the soil for six months for security reasons...they had to pay for the borders authority to hold the products and they became bankrupt. The farm now is destroyed" (NGO 8).

This example shows how an activist NGO operates, influencing the consumer demand to affect MNC profit margins. This institutional influence, though non-collaborative, made an impact on the strategic management of an MNC. This was also the case seen in the study of Shropshire et al. (2013), where NGOs gained firm responsiveness by heightening stakeholder concerns. It was interesting to recognise that NGO 4 and 6, though also representing social regulative organisations, used a professional approach that was different to NGO 8. Both approaches gain 'institutional legitimacy' (Suchman, 1995) from their objectives to improve business-consumer transactions and minimising negative externalities to the host country as a result. Suchman (1995) describes institutional legitimacy as cultural pressure to change organisations. Within institutional legitimacy, sources of legitimacy implies how authority can be gained to make assessments and influence decisions (Ruef and Scott, 1998). The empirical findings show that NGOs possess two sources of legitimacy to pass firm filters.

The first source is based on adding value. The collected data show that firms legitimise collaborative NGOs who are professional in their approach and can add value to the firm's objectives; for example, increasing firm reputation from CSR efforts or joining a local network within a conflict region. The second source of legitimacy is through interception. The organisational differences between NGOs recognise that some NGOs seek financial resource and others aim to regulate business practise. Therefore, legitimacy does not come solely from MNC credibility assessments. As NGOs question business integrity, they can gain legitimacy from harnessing collective consumer option, in turn intercepting firm strategic decisions. This indirectly gathers MNC attention, particularly where NGOs can show business operation affecting social welfare. Collapsing the second-order themes, 'NGOs view

on firm changes’, ‘passing the legitimacy filter’ and ‘organisational differences’ forms the first meso aggregate theoretical dimension: *Institutional value or Institutional interception*.

Munir (2015) state that legitimacy alone cannot influence others players and actions. The notion of power needs to be addressed to see how institutions gain strength to influence the strategy process. The first step in understanding this phenomenon was to recognise how NGOs gain MNCs’ attention.

7.6 Highlighting an Area of Social Concern

In close connection with legitimacy, the findings show that the first step in achieving institutional control was to highlight an area of social concern. Table 7.10 shows participant responses in how NGOs began to gain recognition. NGO 1 introduced the concept of key actors involved in establishing a relationship with MNCs. However, NGO 2 mentions the challenges linked to this with organisational competition and the value that can be gained by the MNC taking part in such activities. Being within a conflict environment allows NGOs to be able to provide solutions for problems that could be faced by MNCs. However, the NGO must be able to address the correct issue where NGO 3 was not receiving the attractive attention desired. In comparison NGOs 4 and 6 questioned MNC business practices directly, gaining the desired attention. This resonates with MNC 7’s earlier comments (Table 7.7) on having to review each NGO’s comment regardless of the size. This is due to the NGOs’ ability to capture public opinion.

Table 7.10: NGOs’ ability to gain firm recognition

Second-order theme & First-order category	Participant	Representative data
4.J	NGO 1	“A third party (a local representative of an NGO) is really the key for the long term success, and although they are challenging in a global partnership, they really are the local ecosystem to carry forth any work that is done”.

		<p>“Well I think if you are viewed as someone that is trying to alter their strategy, you’ve lost. You need to be viewed as a partner, as an advocate of your shared interest”.</p>
4.J	NGO 2	<p>“The largest challenge could be getting people’s mind space to look at a project which may have social impact but is competing against the next 20 million dollar US aid or something like that”.</p>
4.J	NGO 3	<p>“Firms in Syria are more willing to give to humanitarian aid. But with our goals being environmental conservation, it’s difficult to get their attention. It is in our culture, in our religion that if you are supporting the humanitarian you are supporting your friends, your family or community. But for other causes it isn’t the case. And with the recent cases, it is even harder”.</p>
		<p>“People know of us and it’s really down to someone within their (MNC) team to want to use our services”.</p>
4.J	NGO 4	<p>“We do get companies that contact us because they are moving into a market and they would like to understand what the risks are, what the challenges and we put them in touch with our local representatives”.</p> <p>“We had published some research on government’s level of transparency and from that we had then been invited by many government officials to look into their procurement systems”.</p>
4.J	NGO 6	<p>“A case where we have influenced company behaviour is trying to expose big corruption deals...they sold off many mining assets very cheaply, by which I mean mines to an unknown company but owned by a man called <name>. It was exposed that he owns these companies. It also happens that he is a friend of the president. He then sells them on sometimes a few days later many, many times more than what he paid for them. Stripping all assets. He then sells them on to ‘normal’ companies who are very much aware of his corruption profile and a clear corruption risk...So we’ve been involved in going to companies’ AGMs and asking questions why they would buy this asset from a known middle-man who is friends with the president and high corruption risk”.</p>
4.J	NGO 7	<p>“First they see us as a charitable organisation, then they see us as a smart way to give, charitable organisation”.</p>
4.J	NGO 9	<p>“Some companies have a department connected with social work. This is very good for NGOs. They help out and contribute for our</p>

		educational programme”.
4.J	NGO 11	“They want to have you in their company, because of all the ethical benefits that comes with stocking an ethical brand. But then they want you to pay the same cost as their previous supplies”.

Firms that are looking to carry out CSR activity, also look for ways that can enhance their brand image, as NGO 7 described a ‘smart way’ of giving. However, NGO 11 also posed a challenge when costs are involved. Den Hond et al. (2015) described this challenge posed by NGOs, stating how MNCs want to benefit from CSR but have no desire for increased costs.

7.7 NGOs’ Influential Channels

Discussions with MNCs progress to highlight how legitimate NGOs could gain institutional control. These influential channels were placed into three mains categories: 1) consistent pressure, 2) a need to utilise NGO expertise, and 3) firms involved in CSR activities. Table 7.11 shows MNC responses to the first influential channel. Previous findings highlighted that within MENA there can be tight regulation. MNC 2 highlighted that one way to apply pressure on firms would be to influence governing bodies, as they possess stronger control. Other participants in Table 7.11 show that direct consistent pressure influences the change in business practise. MNC 3 further stated that institutional power could be derived from affecting the firm’s financial objectives. MNC 8 concurred, emphasising how open source media has increased the influential channel, making it easier for NGOs to criticise MNC actions and gain international public support.

Table 7.11: Opposing groups applying consistent pressure

Second-order theme & First-order category	Participant	Representative data
5.K	MNC 2	<p>“NGOs could have power if they can influence the government...in terms of the location of our plant, or environmental pollution let’s say. These types of business disruptions can happen...but we look at the track record, if we can foresee how well these NGOs have done”.</p> <p>“NGOs can play a strong role when it comes to land and movement of people”.</p>
5.K	MNC 3	<p>“We are an organisation culturally recognised as being more sensitive to facing more external pressures. We haven’t always been but we have learnt to be, and again though we are different organisation to what we were 20 years ago, the change is because we have pushed that, because of the impact to our bottom line”.</p> <p>“Because of external pressure, that has shaped the way we operate now”.</p>
5.K	MNC 4	<p>“There is a wide spectrum of NGOs. We meet all of them. We have our partner NGOs who we have a partnership and they are from the early days and on a collaborative basis. Of course they will challenge us if they don’t agree with us, but this is part of the partnership...On the other side of the spectrum, you meet NGOs who will beat us and fight us regardless of what we have to offer”.</p>
5.K	MNC 7	<p>“We have had scenarios where NGOs have highlighted issues and we have corrected them...This is more from an environmental point of view where this topic is more of concern for those NGOs that follow our developments...NGOs can affect public opinion which is a high reputations risk which we must consider”.</p>
5.K	MNC 8	<p>“There is a requirement for businesses to be creditable in a responsible behaviour. You only learn what the expectations are by reaching out to your stakeholders. Those stakeholder expectations are an important input to your strategy. Because unless you show you are creditable as a supplier you will lose your key customers...You will be at risk of your reputation and your brand. You open yourself up to the media. All you need is one tweet. Oi you buggers!”</p>

The following comment by MNC 5 further demonstrates the power an NGO can have on business operations.

“The activist NGOs have been successful in opposing, that in the end the whole project is cancelled. Because if opposing NGOs play themselves, they will not be able to stop us, if we have support from the local people and the government. However, if the local people buy into the opposing NGOs and also start to oppose and then if the prohibitions involved also take over the argument then yes, there is a chance the people will decide that the project is not going to happen” (MNC 5).

The case described by MNC 5 shows how NGOs, supported by other stakeholders, could change the strategy of a firm. These findings of NGOs gaining power through public support align with the neo-institutional narrative of social movements (Schneiberg and Lounsbury, 2008). As a result, firms have had to include NGOs within their strategy process. MNC 8 further reiterated that they have had to reach out to NGOs to understand what is to be expected. This is due to institutions possessing the ability to set social expectations (North, 1990). Idemudia (2010) expresses similar notions mentioning that MNCs need to understand the ethical benchmark. Moreover, NGOs possess the power of emotion to stimulate a collective social force (Hudson et al., 2015; Friedland, 2018). Hence, there has been recognition from MNCs that their business practises must align with NGO objectives. However, MNC 5 shares that to have a balanced argument, firms desire to cooperate with scientific facts rather than emotional ties.

“We prefer that the power comes from scientific facts and an honest discussion on the pros and cons. And a deep assessment of what we have set out to do...For example, when we operate we need access to fresh water. That’s not an issue. But how much water we need, how much is available and where we dispose of the water that we don’t use can be of question. If we can have a discussion based not on emotions but on facts that we can hope. Where we struggle, particularly with opposing NGOs is that they are not really proponents with the science model” (MNC 5).

Therefore to make institutional power more efficient, fact-based analysis needs to be used to strengthen an NGO's case.

Firms have recognised a benefit for working with NGOs when operating within conflict regions, particularly to satisfy external stakeholder demands and connect with local communities. As a result, a need to work with NGOs uncovered a second influential channel. Table 7.12 highlights that some MNCs have seen value in connecting with NGOs. NGOs can be knowledgeable players strengthening their power in partnerships (Barley and Tolbert, 1997). Belanger and Edwards (2006) concur highlighting that external institutions can exert power through 'expertise' and 'control of resources'. As seen in the literature, this can explain why firms are compelled to work with local players when entering uncertain environments such as conflict zones.

Table 7.12: Recognising a need to work with NGOs

Second-order theme & First-order category	Participant	Representative data
5.L	MNC 3	"They can bring expertise and pre-existing relationships. We could bring funding and access to markets".
5.L	MNC 5	"What we have seen, the better we are with our collaborative partner, the less we see with the radical NGOs".
5.L	MNC 6	"Our approach to sustainability is quite holistic from the fact that yes, philanthropy is one arm but the scheme that runs under it of being open, connected or dependable that sinks into the business...While 15-20 years ago we were a very separate department...these things that people didn't like or didn't understand and what not, but what's been fantastic is that our skill set has been integrated into various parts of the business".
5.L	MNC 8	"We want to take responsibility. But for that responsibility to be effective you need to have experience, local awareness, and you need to have collaborative and constructive approaches...It's how the NGOs approach it".
		"So as we come to our strategy review, what we are seeing is that these

factors of stakeholder expectation are coming higher up in the ranks. I would wish that it could be first but that would be bullshit of course...sustainability-drivers (referring to NGOs) are being recognised as being strategically very important”.

Conversely, MNC 4 simply stated that for their business operations, they did not need to seek knowledge from external sources, thus making this influence channel scenario specific.

“No NGO in the world would have been able to aid us with delivering our task” (MNC 4).

From the responses shown, MNC 8 shares a perspective stating that though NGOs have been regarded as important, they still do not have authoritative power in how business operates.

“It’s a shame, however the honest truth is that money comes first...It’s my job to ensure that social responsibility is kept” (MNC 8).

This comment highlights that for an NGO to have influential power, they must be able to impact the company’s financial flow. MNC 8 further elaborated that NGOs must have a complete understanding of a situation before attempting to question any business practise. This is aligned with other participants’ comments referring to the use of facts rather than emotional bias.

“It’s also about NGOs that know what they are talking about. People go on about child labour, however you know, if for example, a company tells their suppliers to stop employing children, the children’s family suffer, they don’t eat. And inevitably the child will find another company that will employ them. So when an NGO comes to me and says they want to stop the ‘worst’ types of child labour, I know they have done their research” (MNC 8).

Where NGOs have highlighted an area of social concern, it can be seen that more firms are contributing their resources to CSR activities. Hence, NGOs have gained

the ability to connect with firms accessing a third influential channel. Table 7.13 shows MNC comments on carrying out CSR activity.

Table 7.13: Firms conducting CSR activity

Second-order theme & First-order category	Participant	Representative data
5.M	MNC 1	"It's purely out of our own interest to give something back".
5.M	MNC 4	"The company has worked with various NGOs purely for our corporate social responsibility...Staff members can collect funds doing runs and hikes and we fund various projects in Africa, India. But these have nothing to do with business, purely as part of our corporate social responsibility".
5.M	MNC 6	"We are one of the biggest contributors of CSR in the Middle East from an international private firm. We are very proud of that".

Where companies have promoted CSR culture, NGOs have the ability to seek resources from MNCs. The responses in Table 7.13 highlight that firms are willing to contribute to social causes. However, as mentioned earlier these NGOs would need to fulfil many requirements. It can also be that CSR is not within the company culture, as expressed by MNC 10.

"Over here there is no strong media. If you do any charity nobody will know about it. That's why companies are not doing much. Nobody will come and say thank you. Because the government are doing charity, nobody can do like the government. They are paying billions of dollars just on charity, just to make people's lives good" (MNC 10).

This statement implies that there is a link between CSR and strengthening brand equity. The findings coincide with Dahan et al. (2010), recognising the enhanced marketing efforts and credibility when firms carry out CSR activities. Hence, to strengthen their influence channels, NGOs need to build a case that would attract

firms in a strategic sense. MNC 9 elaborated this notion stating the necessity for NGOs to build business cases, which would benefit the firm as well as the cause.

“Being a consultant I work with both MNCs and NGOs...NGOs want to know how to connect with companies...they have a lot of enthusiasm of what is good to do but this is not enough. They need to establish a business case which will attract the companies...I know NGOs struggling with this aspect” (MNC 9).

NGO 9 described a similar case being denied by a firm.

“One of the known banks here in Beirut. We didn’t know anybody there so we contacted by email. We went for a meeting, myself and the other co-founder, and they were very honest in saying that our NGO would not benefit them in marketing” (NGO 9).

Furthermore, NGO 11 shared a challenging experience where they could not support the firm’s overall objectives and desired profit margins.

“When procurement have more latitude in terms of what they do. That’s where you create the win...for example we have a retailer. Marketing go, ‘yes we need to have an ethical water in our category’ and procurement says ‘ok, well they need to pay us £960,000 to sit on the shelf’ because the procurement guy who is set in generating income for that retailer can sell that shelf space to any other competing profit-driven firm...We understand that, and as much as they want to help you, unless you have physical cash to put down they can’t do anything” (NGO 11).

“You would like to think that in CSR-driven work, it would start with CSR but it doesn’t. It starts with cash” (NGO 11).

Recognising three influential channels from an MNC perspective is linked to a second-order theme of how NGOs ultimately gain institutional power.

7.8 Institutional Power

The findings show that institutional power was first based on NGOs possessing credibility and acting as a regulatory figure. Table 7.14 indicates how these notions can transfer to institutional control. NGO 4 showed how their social regulative status provided them an ability to hinder a firm's brand image. Being a creditable source from the public perspective, NGO 4 gained power from producing reports, which questioned the integrity of businesses and governing bodies. Moreover, NGO 5 demonstrated their ability as a mediator, eliminating conflict between stakeholders. Within the international business narrative, studies have shown this to be the case where NGOs have gained accreditation when operating within politically unstable environments (Darendeli and Hill, 2016). Furthermore, the aspect of temporality can be recognised within these discussions where NGO 2 has mentioned that they are still in early stages. Therefore, gaining credibility and a regulatory status would take time and subsequently reflect on the level of power an NGO can show at different conflict stages and events.

Table 7.14: Organisational credibility and regulatory figure

Second-order theme & First-order category	Participant	Representative data
6.N	NGO 1	"In some of our partnerships we are able to influence organisational change with our corporate partners by our action or credibility of action ...but many of our partners are highly decentralised and we may be influencing our direct partnership counterparts and there may be a small ripple effect".
6.N	NGO 2	"We are still in very early stages. Where we are very proud of our corporate portfolio, it is still a small part of our revenue. But this value is more than financial. We are proud that corporates have trust in our work".
6.N	NGO 3	"I would like to influence firms. It would help with our development and meeting our goals. There is one company that is supporting some of our work and we pay them back with media, showing that this company has an eco-friendly profile. It was good but it requires a lot of effort".

6.N	NGO 4	<p>“If there is an issue with a business, for example appearing in court over some corruption-based prosecution, we have the power to kick them out of our forum and this leverage would allow us to demand that they provide policies, procedures, systems and do a number of things to remedy the situation. And they do often do that”.</p> <p>“We don’t like to name and shame, but the indexes we produce are very powerful and they do get people talking to us”.</p>
6.N	NGO 5	<p>“We had to sometimes do conflict mitigation if there was any challenges faced by community members or the infrastructure or the contractor themselves, then you would have to play that mediator role. As you can imagine, it was quite tough. Some of the communities we were working in was very tough...One example was that we had a concrete channel running through a farmer’s land which we were temporarily paying the farmer to use his land. However, the message was not clear to the community...there was theft and vandalism...We had to involve the local communities’ mayor to make the message clear that it was for the Lebanese people”.</p>
6.N	NGO 6	<p>“We are in the board rooms, but only through institutional frameworks. In a way due to our creditable nature governments and firms can’t completely ignore us...companies have to be transparent with their payments or they have to declare that the buyer is actually the minister’s brother, for example. They wouldn’t know that it was the NGO that made these rules happen”.</p> <p>“The power comes from a persuasive power”.</p>
6.N	NGO 9	<p>“They put in their (MNCs) ad that they put some percentage of profit in helping this NGO, that NGO. This will affect the people that will purchase their products”.</p>

Moreover, NGO 8’s comments show how they also play a regulatory figure to protect the interests of their community. Their actions have influenced a certain group of businesses by generating a social movement to follow their cause.

“There are two levels of movement, the outside which this the bigger one and the local Palestinian movement...the main aim is to boycott Israel. They have taken our land and they are not giving the rights for Palestinians...We want to impose sanctions against Israel because of their actions on Palestinian

territories. On an international level it is also not just about boycott the goods and the commercial aspects but also the cultural and artists and academic boycott against Israel” (NGO 8).

Another theme, recognised as institutional power, was NGOs’ personal networks and emotional attachments. Hudson et al. (2015) described that institutions can gain power by using the emotion dynamic. This theoretical construct is identified within the comments made by NGO participants in Table 7.15. Particularly with activist NGOs (NGO 8), it can be seen that their ability to harness public opinion is derived with the use of emotional ties. Emotion is also linked to the organisations’ passion for the causes they support, as mentioned by NGO 4 to prevent firms from corrupt activities. In connection, NGO 3, 7 and 10 demonstrated power through establishing a personal network that is in favour of their cause. Power through personal networks is aligned with Maclean et al.'s (2014) understanding. As a result, the findings show that some MNCs are willing to connect with NGOs due to their ability to access local networks.

Table 7.15: Personal network and emotional attachment

Second-order theme & First-order category	Participant	Representative data
6.O	NGO 1	“In influencing these multinationals in some of the toughest parts of the world, it is very very hard...what needs to be communicated better is our value in functional productive market systems and market players...we understand the situation of the region that these guys (firms) operate in and the people involved”.
6.O	NGO 3	“Power comes from finding the most suitable partner, and then you have to study what the corporates need. Then you can start to change their mind to a situation where they accept your situation. You have to understand their mission, their target of the business, their goals. Then you change the way that you sell yourself to them to use their approach”.

6.O	NGO 4	<p>“We have an open door policy so if they (firms) want to come and talk with us, we are very happy to have a conversation. Including some of the companies we have been very critical of. We are critical of many companies going into the business for wrong reasons...and we will certainly comment on that to the press. Sometimes ethics is not clear-cut but morality should be the foundation of how these businesses work. If that company wants to call us up on it than we are very happy to do that. Those are not always very friendly conversations... unethical practises should always be questioned and changed”.</p>
6.O	NGO 7	<p>“Usually there is a lot of networking in the beginning. The name of the president of the NGO brings a lot of creditability and brings a lot of confidence. This is really important. Our president has a good reputation and wide network. Then comes the track record of the NGO and all the things that we have accomplished”.</p>
6.O	NGO 8	<p>“We have a union with the local Palestinian suppliers to ensure that their products are more popular...It is not fair competition as the Israeli companies dump their products in our markets. Some are labelled but when it comes to fruits and vegetables we are not sure if it is Palestinian or Israeli”.</p> <p>“We don’t really use force, our strategy is to convince the Palestinian consumers to not buy Israeli goods for many reasons...One Ramadan we had a campaign to stop people from buying Israeli dairy, people during this time consume more dairy. Our campaign was saying your breakfast is Halal if you don’t consume Israeli milk...Our goal is the consumers...If we stop consumers from buying then by default the trader and supermarkets will stop stocking”.</p>
6.O	NGO 10	<p>“We just want to make companies more sensitive to the needs of their employees. And to change the workspace for them or the work hours. And also if we are trying to fund raise, to help us promote a program. But mental health is difficult to raise funds as a disease or as an illness because people are more directed towards tangible diseases, such as heart problem, cancer”.</p> <p>“What worked well was radio and working at <university name>. We also have support from <hotel chain name>. They give us a room to do an awareness conference. This is the third year. The PR lady is a friend and she is aware of the mental health issues”.</p>

In understanding how NGOs use personal networks and emotion as a form of institutional control, subsequent discussions lead to influencing legal systems. Where governing bodies have regulatory authority, NGOs can influence strategic decisions by influencing a stronger power. This influence can be direct or indirect as seen in the representative data in Table 7.16. As it has been recognised that governments can control business operations, a key institutional power can be gained from influencing the legal system. These comments were aligned with MNCs perspectives. There have been case studies where NGOs have been able to work with international regulatory bodies to change the way industries operate (Baur and Arenas, 2014). MNC 4, 6 and 8 share examples where they have attempted to influence the legal systems to benefit their social cause.

Table 7.16: Influencing the legal system

Second-order theme & First-order category	Participant	Representative data
6.P	NGO 4	“In Saudi Arabia we uncovered that <company name> had bribed governmental officials to get that contract. It went all the way up to the prime minister...He (the prime minister) instructed the case to be dropped on national security grounds...We were very strong and robust in our contemplation of law, so the decision was not to prosecute. We placed a lot of pressure on the company to ensure that they were going to reform and that they were going to do business differently. We continued to keep putting pressure on (company name) and the local government...the company has since then taken one of our global anti-corruption programmes and they now work with the Saudi Ministry of Defence Procurement Department to make sure their internal systems change. In this process we have been invited to minimise the risk of corruption”.
6.P	NGO 6	“Once we begin to grasp an issue we begin to start getting laws put in place...1504 which is the name of a clause which looks into the transparency of the payments in the extractive industry...So that’s an indirect way we try to change an MNC’s strategy by changing the legal aspects”.
6.P	NGO 8	“Yes, of course! Our <NGO name> movement is in the top priority of the Israeli government. We are making an impact on Israeli companies...The government fund many Israeli companies so our

actions affect companies and the government...They consider <NGO name> as the main enemy for Israel for the foreseen threats. This is on an international level. On a local level, Palestinian consumption of total Israeli goods is only around 3%, so we don't make that much of an impact on the economic level, as Israel has a big economy. But it is very big on the let's say ethical and political influence. This is number one. Number two I would say we have more influence on some categories of the Israeli economy. I mean when we talk about the food companies, the Palestinian share is very high. So our influence is more on the food producers in Israel...If we can impact the laws then they have no choice, but the question is if the government are with us or against us".

MNC 4 expanded on their comments, stating that within the MENA region, this influential power can be limited due to the regulatory bodies not matching the NGO's vision.

"In the Middle East, North Africa, it also depends on whether the government is allowing space for civil society to exist. This is not the case anymore in Egypt...they are not open to face criticism from any NGO...many of our colleagues had to leave the country as they were on the list of getting arrested" (NGO 4).

Similarly, being within a conflict setting, MNC 3 shared the same thought of how it could be difficult for an NGO to operate within certain regions.

"In some regions, it's illegal for NGOs to operate...they would limit power" (MNC 3).

NGO 6 also shared their example where they can find legal systems to work against their cause particularly within a conflict setting.

"There was a case where there was <name> who was helping to set up a diamond company with the secret police, which he owned half and the secret police owned half...The government was in a power sharing group with the opposition...the opposition was looking after the finance admin and they

were using the diamond company to off-budget vehicles to raise money” (NGO 6).

These examples showcase that though influencing the legal system can be a paramount strength for NGOs, it can prove highly difficult where interests do not match. Vachani et al. (2009) explain this phenomenon stating that NGOs need to work in reliable legal systems if they are to influence any form of firm strategy. Nevertheless, NGO 8’s expansion on their case articulates the benefit of applying pressure on local authorities to enforce change.

“Last year the Israeli government stopped Palestinian goods from entering Jerusalem. In return we put pressure on the Palestinian government to stop the same Israeli companies to sell their goods in the Palestinian markets...after one week the Palestinian government took this decision, the Israelis reopened the borders for the Palestinian companies because these Israeli companies put pressure on the Israeli government, so they relaxed the restriction, because they (Israeli companies) were getting damaged from not being able to sell their products in the Palestinian markets” (NGO 8).

The data received from MNC and NGO participants display a coherent argument in how institutions can gain the attention of key strategy decision-makers. In turn, the findings show how NGOs could gain institutional control over MNCs. During data analysis three second-order themes were formed to explain this phenomenon. Firstly, it was seen that NGOs ‘highlight an area of social concern’ to gain recognition. Secondly, MNCs are open to external ‘influential channels’. This would be either from institutions applying consistent pressure, a need to utilise NGO expertise or firms involved in CSR activities. Thirdly, several categories show that NGOs possess ‘institutional power’. By collapsing these three second-order themes, the second meso aggregate theoretical dimension was formed, labelled as *disturbing the bottom-line*. NGOs can gain institutional control within heterogeneous conflict environments ultimately by interrupting financial flow and business operations.

7.9 Conclusion

The purpose of this chapter was to answer the second research question: *How can NGOs as institutions possess legitimacy and power to influence a firm's strategy process in conflict zones?* From a meso perspective, the institutional literature has been vague in identifying the source of legitimacy for NGOs to pass firm filters and how NGOs can possess institutional control. This understanding was unclear, particularly given the complexities of strategy formulation in conflict zones. The meso findings formed two interlinked aggregate theoretical dimensions: 1) institutional value or interception, and 2) disturbing the bottom-line.

Firstly, the findings show that NGOs could pass firm legitimacy filters either from 'institutional value' or 'institutional interception'. These terms have emerged from analysis to explain the sources of legitimacy. NGOs are legitimised by MNCs if they are seen to provide a sense of value to firm objectives, for example, enhancing brand image or support in business operation. Hence, MNCs prefer NGOs that are collaborative and professional in their approach. This is to limit any hindrance to their business operations. Alternatively, due to the organisational differences between NGOs they can intercept business decision-making. As social regulators, NGOs can gain legitimacy from collective public support possessing the ability to question business integrity. NGOs that represent social welfare can intercept business practise if seen as inappropriate.

Secondly, in passing firm legitimacy filters NGOs can ultimately gain institutional control to influence business strategy by 'disturbing the bottom-line'. In other words, from a meso perspective NGOs would need to positively or negatively impact the firm's financial flow or business operations. Power within institutional theory dictates how change is enforced and how institutions gain management capacity to influence strategic direction (Peng, 2003; Mtar, 2010). The three themes that supported this conclusion were, highlighting a social concern, influential channels (consistent pressure, NGO knowledge and CSR activities) and institutional power (credibility, regulatory figure, personal network, emotional attachment and influencing the legal system). These factors combined result in an interruption of a

firm's financial gain. However, different methods can vary in strength within a conflict environment, for example legal challenges.

CHAPTER 8

EMBEDDED AGENCY WHO CAN INFLUENCE STRATEGY

- MICRO DATA ANALYSIS AND FINDINGS

8.1 Introduction

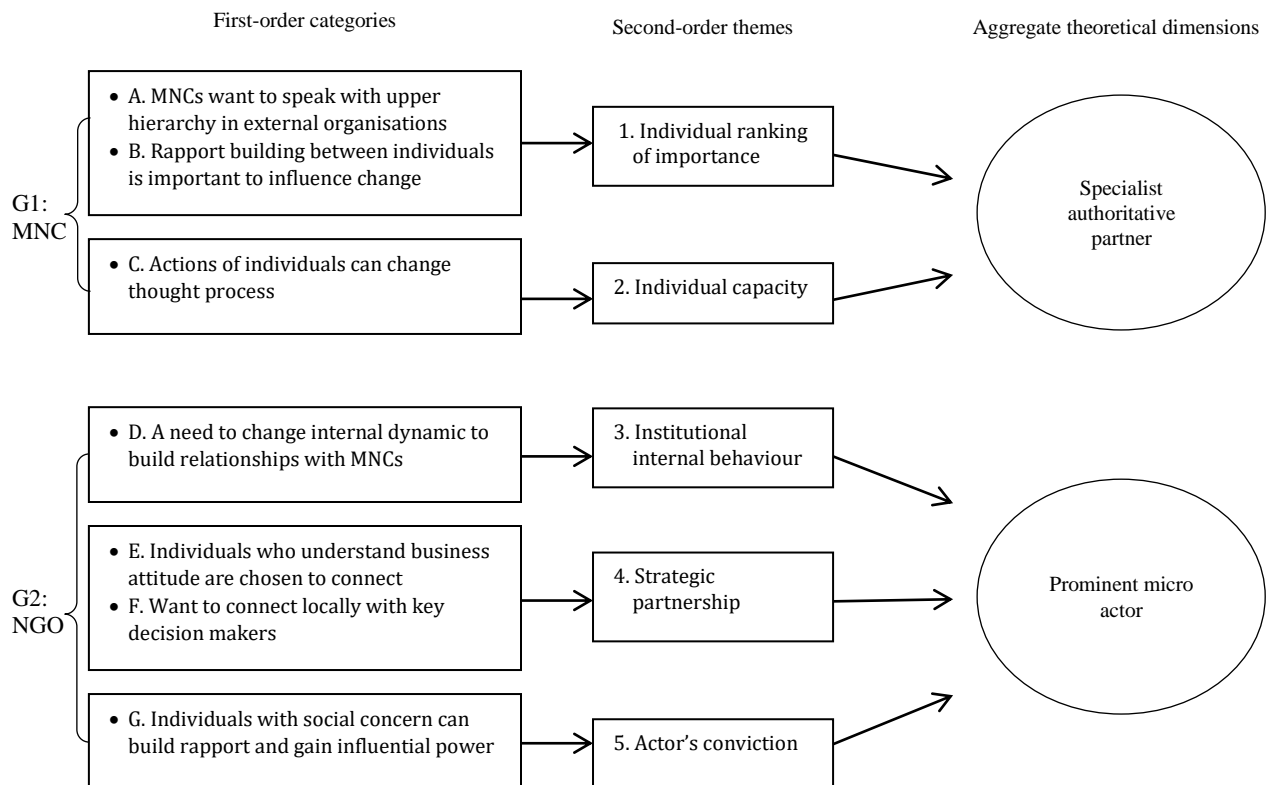
This empirical chapter presents the micro level of analysis exploring the third research question: *Which external individual actors are involved in influencing strategic decision-making for a firm in conflict zones?* A macro perspective has shown that firms set a legitimacy filter and an institutional rank of importance within their strategy process. In closer analysis, the previous chapter showed from a meso level that NGOs could gain legitimacy through value or interception, in turn achieving institutional control by disturbing the bottom-line. A subsequent question remained concerning which individual actors possess the ability to carry forth such activities. The theoretical literature shows that the correct embedded agents are instrumental to influence organisations (Leca et al., 2008; Abdelnour et al., 2017). However, it is unclear which type of agency and which roles within social relations have the ability to influence (Powell and Colyvas, 2008). This was particularly within a conflict heterogeneous environment. Drawing on the theoretical concept of embedded agency, this empirical chapter explores which types of actors are needed to influence firm strategy.

The presentation of findings follows the micro data structure shown in the subsequent section. This chapter begins by understanding how firms view their partnerships with NGO representatives. The findings further show the importance of rapport building between MNC and NGO actors, developing how the actions of individuals can influence the thought process of decision-makers. The second part of this chapter reviews organisational behaviour within NGOs, progressing to assess how NGOs select particular actors to form strategic partnerships. The chapter concludes by identifying individual actors' conviction necessary to influence organisations.

8.2 Micro Data Structure

Figure 8.1 illustrates a data structure formed from a micro level of analysis. This chapter provides discussion on how each of the key themes had been developed. To fully comprehend organisational influence, data collected from a micro level of analysis highlight which types of agency within NGOs possess legitimacy and power.

Figure 8.1: Micro data structure



8.3 MNCs Rank Individuals of Importance

To understand individual actors it is important to first recognise how MNCs view the members who represent NGOs. From MNC participant responses shown in Table 8.1, there was a commonality that firms prefer to engage with senior management of external organisations. This was to ensure that communication was effective and the vision of both organisations was equal. MNC 3's comments suggest that it is

necessary to ensure long-term relationships between organisations. MNC 5 gave a concise perspective stating that the NGOs' management should be ready to collaborate with MNCs. With the growth of inter-organisational collaboration, the literature shows that higher-level management needs to accept certain changes (Kostova et al., 2008; Wry et al., 2013). Thus, where MNCs recognise the benefit of working with external organisations, they want to certify the stakeholder's willingness to collaborate. This is based on the assumption that working with senior managers can improve the collaborative process as they have a higher influence on how the NGO operates.

Table 8.1: MNCs describing important individuals within NGOs

Second-order theme & First-order category	Participant	Representative data
1.A	MNC 2	"The Middle East is very restrictive for NGOs to operate...for those that have access generally we would want to speak with higher up the chain".
		"It depends on the organisations...they are all structured differently and all run differently. I wouldn't suggest that there are key people in an organisation that you would need to engage with to influence".
1.A	MNC 3	"In <NGO name> we spoke with an individual that had a vision to work with corporates...He was really a change of how their organisation previously operated. We need to work with people that have vision to collaborate long-term. We work in places for decades...There is really an opportunity to work on a long-term sustainable conversation".
1.A	MNC 5	"What is really important is that at the top of the NGOs there is a readiness to collaborate with the company. So it starts at the top".
1.A	MNC 6	"Transparency is important. We should be seen as a part of the process not just as doers...With the initial connection it would definitely be with the head of the NGO in the first instance and then when it comes from an operational aspect, a project member would then step in from the NGO. It always starts at a high level...we can then also see their level of commitment".

1.A	MNC 7	“Within an institution there is a hierarchy. The higher the more relevant”.
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As seen above, MNC 6 elaborated on the notion of collaboration stating that there has to be a ‘level of commitment’ from NGOs. By speaking with higher management, MNCs can be satisfied with what the main agenda would be. Sun et al. (2010) show how firms have linked higher management with experience. This is particularly when management need to operate within unstable environments and have to connect with institutions for strategic assistance. However, being within a conflict environment, data analysis has also showed the importance of rapport building to form a connection with the senior managers of NGOs.

Organisations have collaborated in market-driven environments on a professional level (Driouchi and Bennett, 2012). However, as NGOs are non-market organisations the type of connection between representatives differs. Table 8.2 shows the importance of rapport building between individual actors to influence strategic change. There is a common theme in the participant responses, however MNC 10 further highlighted the importance of building individual relationships given the business culture of the Middle East. MNC 3 highlighted within their comments that building a relationship with an NGO had allowed them to work on continuous projects. Having invested much resource on building the network, it can be seen that the firm had recognised value. The MNC and NGO’s individual partnership proved to support their own organisations’ goals. However, MNC 3 expressed an issue that there are members within the company and NGO that are cynical of the partnership.

Table 8.2: Rapport building between individuals

Second-order theme & First-order category	Participant	Representative data
1.B	MNC 3	<p>“Yes hugely. We worked on a few things in 2010, 2011 and recognised there was an opportunity to do something more on a global scale”.</p> <p>“We spend a ton of resources just establishing inter-organisational</p>

		networks and relationships...There still are cynics in both organisations about why we are partnering with each other”.
1.B	MNC 7	“MNCs and NGOs can collaborate on great initiatives...the NGOs just need to recognise this model rather than attacking the business practise”.
1.B	MNC 8	“Building a strong relationship with your stakeholders is so important. It builds trust and aids the mutual respect for each other’s operations”.
1.B	MNC 9	“Individuals are indeed important. The relationship between an NGO and company is first a relationship with two or a group of individuals. It is quite important for them to get along with each other”.
1.B	MNC 10	“Over here in the Middle East, relationships are very important. Without relationship you can’t do anything”.

MNC 3 expanded on their comment, providing reasoning for why members are cynical within their organisation.

“Some people that work here are still in the mind frame that the private sector are only profit driven and <NGOs> limit us reaching our organisational goals...I am here to try to expand their vision” (MNC 3).

This shows that organisational representatives have to not only build rapport but also convince their counterparts to support them. MNC 7 expressed a similar notion, seen above, underlining how NGOs would be more beneficial if they collaborated.

In discussion of rapport building with NGOs, it was noted that MNCs could be criticised by stakeholders due to lack of business integrity. MNCs are faced with ethical demands by NGOs. Consequently, a representative of the firm would have to make the decision whether to respond to such claims. Barraquier (2011) states how managers are faced with strategic implications due to ethical demands from stakeholders. MNC 8 concurred, being supportive of building relationships with NGOs but recognising an argument that could occur.

“If you come across a person saying well in reality you should not be doing this, because of this, this and this reason, well that may well be that individual’s opinion on what standards we should have, but that individual opinion may not be shared with the large part of society. So in that sense are you required to do what this person says? And internally you need to have a good reflection on it. Is the person right and society not...or if the person is not right, living to higher standards and is not factually correct” (MNC 8).

Where MNCs are faced with such issues, Teegen et al. (2004) suggests that building rapport with NGOs can allow MNCs to know the acceptable parameters of business practice. MNC 8 expands on personal morality, explaining that a firm should not have to wait for an external organisation to correct their business practise.

“What we need to also see is what is my moral conduct today and do we really need to have an internal discussion about this. Your moral compass should be so sensitive and it shouldn’t have to take a third party to tell you your moral compass is broken” (MNC 8).

This comment is aligned with MNC 9 and 10, sharing the concept of individual capacity. Land et al. (2014: 233) show how individual traits and environmental factors could shape how firms operate in ‘grey zones’, “where the boundary between acceptable behaviour and misconduct is unclear”. On the other hand, the literature also shows how individual actors influence business operations to support peace-building in conflict regions (Katsos and AlKafaji, 2017) or address unethical practise (Kassinis and Vafeas, 2006; Kraemer et al., 2013). Thus, individual capacity can influence the direction of a business. The following section expands on this second developed theme on a micro level.

8.4 Individual Capacity to Change MNC Thought Processes

Research participants from MNCs were questioned on the microelement of influencing strategic decision-making. The findings show both internal influences from firm representatives and external influence from NGO partners. Table 8.3

illustrates that from an MNC perspective, personal interests can direct some level of influence on strategy. However, the extent of influence from firm actors is based on their individual capacity. For example, MNC 2 has attempted to encourage their company to carry out more charitable work. However, the participant shows that still ‘more convincing’ is needed. This highlights that there is not enough authority to make such decisions. Conversely, MNC 3 and 5 gave part of their authority to external individuals, basing their strategic decisions on external advice. This finding resonates with Henisz et al. (2014) illustrating that strategic value can be gained from knowledgeable members whether internal to the organisation or external stakeholders.

Table 8.3: Actions of individuals changing firm thought processes

Second-order theme & First-order category	Participant	Representative data
2.C	MNC 2	“I myself have tried to influence the company to work with a charity. Some influence is there but still work needs to be done to convince”.
2.C	MNC 3	“One of the things we do in our planning sessions is identify, ok where are your (NGO partner) priorities for the year, where are your areas of interest, what things are you trying to achieve. And then we will tell them. And together we will see mutual areas of interest and focus on them”.
2.C	MNC 5	“For one particular project we set up an external advisory board. These individuals had a strong influence on what we should do. They were from NGOs. Though what we do when we first start is we develop a jointly based fact-finding”.
2.C	MNC 6	“In the NGO decision process, my team and I are removed from the equation, as we are the ones who often have a relationship with the NGO. They (directors) will look at the project against the criteria the project framework and the objectives they have”.
2.C	MNC 8	“At the <governmental conference name> I will be sitting at the table with various NGOs and the <industry check initiative> where I will be sitting at the table with various NGOs. It is the relationships we build through these two big initiatives”.

It was also seen that internal organisational members (Thomas and Ambrosini, 2015) and external actors (Kolk and Lenfant, 2012) are needed to understand how strategy is to be implemented. The collected data show that the level of influence can be from two angles internal to the firm. Firstly, participant responses have shown NGOs influencing the MNC representative. NGO actors attempt to influence firm representatives with the anticipation that they have access to firm resources to support the NGO cause. The second angle of influence would be based on MNC representatives advocating the social cause internal to the firm. It can be argued that MNC actors have higher forms of legitimacy over external actors, in turn strengthening their influential ability to strategy makers. MNC 6 has described the second angle of influence internal to the firm.

“My team have to conduct continuous presentations to the higher management. Project proposals come in from the entire region. Sometimes we can get too close and be extremely passionate...that can sometimes cloud our judgement. That’s why we have a second level of defence where they are looking at it much more rationally. And if we are opposite ends of the project, we can take it offline and ask what parameters we could introduce into this project that would make it comfortable to proceed” (MNC 6).

“NGOs do not really have a lobbying role, it’s not Europe. They don’t have a public advocacy role. This is for most of the Middle East and North Africa, though Turkey is slightly different” (MNC 6).

These comments suggest that within this research context, individual actor’s influence is based on accessibility and capacity. Where NGOs could have limited power to ‘lobby firms’ within in the Middle East and North Africa, there could still be a level of influence on strategic decisions if firm representatives endorse the cause. To ensure that firm representatives are confident in the NGO cause, institutional actors would have to be at a specialist position. Such positions can be seen as external knowledgeable sources or areas of authority.

From an MNC perspective, the findings developed a second-order theme of ‘individual ranking of importance’. Firms prefer to build rapport with senior

management within external organisations. This is due to firms preferring to understand the NGO's agenda as well as their level of commitment. It can be seen that building rapport increases the chances for NGO actors to influence firm strategy. Subsequently, the findings developed 'individual capacity' as another second-order theme. Where NGO actors can inspire the firm representative, this representative may need to influence higher management internal to the business. The data show that NGO actors need to be specialised within their field to possess importance. Collapsing these two themes had developed the first micro aggregate theoretical dimension being a *specialist authoritative partner*. According to firms, NGO actors need to be a specialist authoritative partner to increase the chances of influencing strategy.

8.5 Internal Institutional Behaviour

NGO participants were asked questions with regard to how they build relationships with MNC actors. The first theme shows that NGOs have to internally change their behaviour on an individual level to accept business partnerships. This in turn would support embedded agents of change. From the comments shown in Table 8.4, NGO actors recognise a need to adapt their approach to connect with firm representatives. This is due to the recognition that firms prefer to work with NGOs that are accepting of MNC actions and collaborative in their approach. NGO 2 mentioned that actors need support from their senior management to change internal behaviour. Furthermore, the participant also reiterates the need to build rapport with firm representatives. However, this rapport can only be built if it fulfils organisational interests. NGOs who want to form collaborative relationships recognise that networking is key and to view firms as allies, as mentioned by NGO 3 and 6. For partnerships to form efficiently, the correct agency is needed (Hardy and Maguire, 2008). Operating within the MENA region, the notion of trust was a reoccurring factor for MNCs to form links with NGOs. NGO 9 raised this topic while discussing how they build a relationship with MNC representatives.

Table 8.4: NGOs changing behaviour to build relationships with MNCs

Second-order theme & First-order category	Participant	Representative data
3.D	NGO 2	<p>“When we decided to push our corporate partnership we had to change the internal organisation dynamic. There were many cynics who we had to have discussions with...But the senior management were supportive and I think there was enough progress with some key people. Every organisation has some key change-makers in them”.</p> <p>“In the early stages, there is almost always a rapport with the two individuals but then that rapport has to go through a fairly hard internal analysis to make sure there is a common ground and there is an understanding of the differences”.</p>
3.D	NGO 3	<p>“You need to build long term relationships...This could be for financial support but also networking with other businesses”.</p>
3.D	NGO 6	<p>“We are always going to look out for persuaders or networkers. People in the business community that are allies”.</p>
3.D	NGO 9	<p>“We saw an interview of a particular lady, part of a company. We contacted her and they were interested in connecting and contributing...They like to follow up for the project they sponsor”.</p> <p>“Yes it is important here in Lebanon. We must connect with someone in a company. Someone that trusts us...In social work trust plays a role”.</p>

NGO 2's following comment supported the notion that institutional trust can only be derived from a personal connection. The participant's comments reinforce that a specific type of agency embedded within NGOs are required to build external partnerships.

“That institutional trust level always flows through human individuals so it's a combination of logic and behaviour and emotion” (NGO 2).

Dahan et al. (2010) describe the importance of trust, particularly within corporate collaboration with NGOs. Firms want to ensure that the NGO will not hinder any business operations or reputation (Doh and Guay, 2006). As noted earlier, activist NGOs have made it harder for the social sector to gain legitimacy. NGO 8's approach shows how in some cases, NGOs refuse to change their organisational behaviour where agendas differ. Thus, actors in these scenarios operate a different strategy to gain influential power.

"Of course not. They (Israeli companies) are our enemies. Why would we want to communicate with them...they are trying to compete in the Palestinian market and we want to boycott them" (NGO 8).

Nevertheless, NGO 9 elaborated on their comment to show how they have understood the need for personal connection and approaching firms who they could relate with.

"It happens two ways. First you find people you know personally...Then you can contact to see if they have a CSR division. It will happen through your PR. People will connect you" (NGO 9).

Overall, these participant comments demonstrate that internal institutional behaviour plays a role in forming institutional attitudes towards partnerships. The institutional attitude in turn would determine how embedded agents choose to connect with firm actors. Hence, for an agent of change to form external relationships would begin by changing the internal institutional behaviour. This is because the success of a social movement is reliant on collective support (Soule, 2012). In identifying a change of internal behaviour within institutions, data analysis was directed towards specific individuals that could form strategic partnerships.

8.6 NGOs Selecting Specific Actors to Form Strategic Partnerships

From a micro level, individual actors are fundamental for any organisational change (Battilana et al., 2009). The findings show that only specific embedded agents possess the correct traits to connect with MNCs and influence key strategy decision-

makers. NGO 7 simply stated this importance where key actors are vital to build connections with firms.

“Individuals in the NGO play a vital role in building relationships. If they have the correct skill set, they can have the power to inspire and influence”
(NGO 7).

NGO participants were questioned concerning which key members within their organisation work with firms. The findings show that NGOs select individuals who understand business attitudes and local situations. The aspect of communication is key to influence and form a strong partnership (Nielsen, 2013; Wilden et al., 2013). The responses in Table 8.5 illustrate how NGOs select an internal actor who best possesses such traits. NGO 1 describes multiple levels existing within their organisation and where each role would be best suited. Primarily, it can be noted that relationship managers have a skillset to connect with external organisations, which technical managers may not. These actors possess the ability to communicate in a way that would resonate with business attitudes, focusing on the value gained. NGO 3 further reiterates that senior management would not only have greater experience but also strategic vision, which would be necessary when showing MNCs their commitment. The strategy literature explains the importance of managers working in line with organisational strategy to ensure power is kept when forming external links (Oliver, 1997).

Table 8.5: NGOs describing which actors work with firms

Second-order theme & First-order category	Participant	Representative data
4.E	NGO 1	<p>“There are different levels within the NGO. There are those that can communicate well with the business sector and those with the NGO sector, that are very technical who really need a relationship manager between their engagements with the corporation”.</p> <p>“You have relationship managers. And then you have technical staff and country staff. They all support each other, but the country staff are who really build a rapport with the staff on the ground”.</p>

4.E	NGO 3	“This would mainly be concerned with the board members...The board of trustees has some good relations, some good experience, has the strategic vision and they can be helpful in working with businesses...The chairman and the vice chairman and secretary, we can have meetings in building partnership”.
4.E	NGO 5	“The project manager in Lebanon would be essential in working with companies...this role would require experience as you need to speak with businesses in a particular style which resonates with them”.
4.E	NGO 6	“There are always people that are A) reformists, B) powerful. Sometimes they overlap. We are pretty good at getting the most appropriate person speaking. We’re not too worried about rank, or gender, could be an issue in some countries. We tend to put the experts relating to an issue in front of somebody. We have some quite young people meeting, up to presidential level in their own countries. In some cases it’s more appropriate for them rather than someone more senior such as myself or board level. On occasion it’s appropriate for the guns to be brought out (referring to the senior members of the NGO). The head of our Afghanistan is the one who meets the Afghan president along with the policy advisers there”.
4.E	NGO7	“For our organisation, it is definitely the president of the NGO. This is one of her life achievements. She really is the face of the NGO and the voice of the NGO as well. She has a really, really strong network and really, really strong reputation”.
4.E	NGO 9	“I am one of the founders and currently vice president...It depends. Companies would like to meet people from the co-founders. It may give them more credibility”.
4.E	NGO 11	“They (MNCs) generally respond when they recognise that it is the founders that are getting in touch...but it helps that we are becoming more known...younger employees can then take the lead”.

In connection, it was also noted by several participants that certain actors within NGOs have networks, which they can utilise for social agendas. Thus, the data show that individual experience is also connected with organisational authority and social capital. The following comments by NGO 7 and NGO 10 further articulate that strategic agents of change possess personal contacts, experience and reputation, increasing their influential ability.

“Her and all the people that work around her...Other people also such as the people of the board, they have international experience... Within the board members, we have CEO companies, we have international players and we have this very strong local person that is our president...it is beneficial to have members of the board from abroad as it increases our social net worth” (NGO 7).

“Generally it’s by word of mouth and personal contact. My profession is a psychiatrist. So people get to know me through my reputation. My patients would recommend me. The same with my co-founder” (NGO 10).

Therefore, an ideal embedded institutional actor would possess business acumen, being able to communicate value to a firm. This actor would also have an accessible network, which they can utilise for their cause. In recognising how NGOs choose the correct internal actor to form strategic partnerships, the findings also show a need for context-based understanding. NGOs take into consideration the situation of the local environment. The chosen actor to represent the NGO would have to be locally proficient to connect with key decision-makers. NGO 6 in Table 8.5 expressed such scenarios where at times, experts could be younger members of staff or country-based specialists.

Table 8.6 shows the findings on how NGOs form strategic partnerships sensitive of local situations. NGO 2 and 4 expressed concern on credibility. Dependent on the NGOs’ social agenda it can be seen that organisations can be faced with a challenge to select the most appropriate actor to represent the organisation. Gifford et al. (2010) show this phenomenon where locally based stakeholders can gain greater legitimacy over international players. MNCs rely on a balance of global and local strategies and, where CSR is concerned, firms are more likely to respond to local actors (Gifford et al., 2010). From participant responses, NGOs have recognised this behaviour. However, it was also seen that NGOs use local actors as a technique in gathering public support to further endorse their social movement. Where NGO 8 relies on public support, they have recognised their decision-maker to be of the younger generation. This illustrates that NGOs have to select a variety of actors, which can

create strategic partnership with both firms and their source of power. In NGO 8's example, the younger generation would be their source of power.

Table 8.6: Local actors connecting with key decision makers

Second-order theme & First-order category	Participant	Representative data
4.F	NGO 2	<p>“When building new relationships, say in Lebanon, it would usually be the country director who has developed a relationship, who seems to have an affinity, from that becomes a project that gains credibility which then gets bumped up the line”.</p> <p>“The other way that these things happen is that one of us is speaking at a conference and someone comes up saying that it really resonates and would like to talk about that in collaboration”.</p>
4.F	NGO 4	<p>“Though we have many chapters around the world, we are local people, fighting local issues...nobody would welcome a guy from say, London to Yemen to tell them that they are corrupt...So you need local guys who are well connected but not part of the system, to be seen as part of the problem. So it is a challenge to find people in some countries that are seen as natural but are respected and creditable to be able to tackle this”.</p>
4.F	NGO 8	<p>“Youth! Students. School students and university students. I noticed in Palestine, students in the school are free of Israeli goods. That's because the children are the age group that are influenced by emotional matters...When my children come home from school and ask Baba (father), why do we have Israeli milk in our fridge? I would feel ashamed. I have many friends that have told me that their kids have said that they will not drink milk if it is Israeli milk”.</p>
4.F	NGO 10	<p>“It is not easy at all. This company in the HR, there was a young lady sensitive to mental health, so she is the one that contacted us. But companies in general are not. It should be someone in the HR. Someone that wants to look into the welfare of their employees”.</p>

In understanding the type of actors that can form strategic partnerships the topic of personality arose. It can be seen that NGOs select a specific individual actor to fulfil their organisational needs; for example, NGO 2's role to form corporate partnerships,

NGO 4's role to regulate corporate corruption or NGO 9's role to seek financial support. The collected data show that the chosen actors possess a key trait, which has enabled them to influence other individuals. In turn, the theme of an 'actor's conviction' was formed by commonality in responses.

8.7 Institutional Actor's Conviction

Key NGO members had been seen to acquire the ability to build rapport and understand the business dynamic. However, a significant area recognised was how actors articulated different social concerns. The participant responses in Table 8.7 show dedication for the social cause that they support. The attitude shown by NGO actors has illustrated a sense of institutional motivation, which in turn can be recognised as influential power. NGO 2's response suggests that the organisation has gained admiration from the local community. Being within a turbulent environment, the participant had experienced protection from the local community due to building rapport. Where firms would not experience the same sense of security, collaborating with NGOs allows a degree of community admiration to be passed on. The study of Shropshire et al. (2013) shows firm responsiveness where stakeholder concerns were heightened. Furthermore, the strategy literature also shows cases whereby firms have formed links with NGOs to support in local issues (Teegen et al., 2004; Henisz et al., 2014; Husted et al., 2016).

Table 8.7: NGO actors showcasing social concern

Second-order theme & First-order category	Participant	Representative data
5.G	NGO 2	<p>"Executive sponsors are generally in the senior management of the company. And then you have organisational context points. In our case it used to be me and now it's another member from the executive team. The operational points of context are country directors...and then we have <employee name> who is the central point of contact for global partnership".</p> <p>"I was the country director in Iraq during a difficult time, and we stayed safe because the community believed in us. I had formed a</p>

		special relationship with them. They saw the benefits and when there were threats, the community both warned us and then protected us and that can transfer to companies, but it kind of requires a reboot in relationship between company and community”.
5.G	NGO 4	“People understand who I represent and the work we carry out. If corporates don’t follow our guidance and get caught doing unethical practise, my team will make sure the wider community know about it”.
5.G	NGO 7	“Building rapport is extremely needed...our partner relationships have taken long to build but now they understand who we are and what we do...our partners respect my suggestions and value my expertise...I will continue to do what I do regardless as it is the right thing to do”.
5.G	NGO 8	“We are suffering. And it is because they (opposing party) don’t care. They are always in self-interest. I will not see this happen. I must protect the interests for my people and make sure my family grow up in a fair system”.
5.G	NGO 9	“Someone from the board members have higher ability to influence. They can gain more attention as they carry passion...their experience and determination for our projects can be very admirable”.
5.G	NGO 10	“What we are doing has to be done. We must carry on good work and protect the interests of mental health. There are so many charities that focus on illnesses, heart disease or AIDS or whatever, but mental health is a big issue in Egypt. Companies need to recognise this”.
5.G	NGO 11	“I started this whole thing because I care. People cannot be oblivious of the difficulties that communities go through in some parts of the world...We are an ethical brand and I will do what I can to spread awareness”.

The collected data shown in Table 8.7 suggest that the attitude of actors within institutions can be an influential factor. NGOs are known to support the welfare of the public and act as a regulatory force (Berrone et al., 2013). It can be seen that an individual actor’s conviction is necessary to influence firm strategy. Moreover, NGO 1’s following comment shows how their organisational role and conviction must be aligned with strategic partnership. NGO 1 develops their discussion emphasising that embedded agency need to learn how to connect with firm members. The notion of

time and temporality is also seen within this statement, where NGO 1 had to learn the skill of how to speak with MNCs.

“Without sounding narcissistic, I am in my role as I know what is necessary to connect with the business mind set. I am very proud of the work <NGO name> does and it requires an individual to articulate this same passion into a strategic value-based proposition to business representatives...It has taken time to learn this and I guess it is also my duty to teach this internally to improve how our members connect with their (MNC) members” (NGO 1).

From an NGO perspective three second-order themes were formed in understanding embedded agency. Firstly, in order to form corporate links there needs to be a change in the ‘institutional internal behaviour’ at an individual level. Secondly, an ideal NGO actor needs to have the capacity to form ‘strategic partnerships’. Finally, the data shows that the ‘actor’s conviction’ on social cause can enhance their influential ability. Collapsing these three themes formed the second micro aggregate theoretical dimension, a *prominent micro actor*. This theoretical concept highlights the type of embedded agency within NGOs that possess the ability to gain legitimacy and power to influence firm strategy.

8.8 Conclusion

The purpose of this chapter was to answer the third research question: *Which external individual actors are involved in influencing strategic decision-making for a firm in conflict zones?* The institutional literature has been vague in understanding the type and role of embedded agency within context (Abdelnour et al., 2017). The micro findings formed two aggregate theoretical dimensions: 1) a specialist authoritative partner, and 2) a prominent micro actor.

Firstly, a ‘specialist authoritative partner’ has emerged within this study to show which individual actors MNCs appeal to work with. The concept has provided a clearer understanding of which specific external actor can gain legitimacy and power to influence the strategy process of a firm. This insight supports the call to further

understand agency who can shape the strategy process (Burgelman et al., 2018; Kouame and Langley, 2018). The findings show that MNCs prefer to communicate with external senior management based on the belief that higher authority is linked with experience and organisational plans. Furthermore, being an institutional specialist increases an NGO actor's influential capacity. This is needed to not only inspire the MNC representative, but also ensure the MNC representative influences senior management internal to the firm. This is particularly necessary within conflict zones where NGO accessibility is low.

Secondly, a 'prominent micro actor' has emerged to describe a type of institutional embedded agency. These actors possess the ability to gain legitimacy and power to influence firm strategy, building on Bitektine and Haack's (2015) notion of actors establishing an alliance or partnership. To support agents of change first requires a positive institutional internal behaviour to connect with MNCs. In turn, a prominent micro actor would be able to influence firm strategy by forming strategic partnerships. This would be based on their business acumen and ability to connect locally with key decision-makers. Moreover, the findings show that an actor's social conviction is needed to gain persuasive power and build rapport with firm representatives.

CHAPTER 9

CONCLUSION

9.1 Introduction

The strategy process of a firm has been identified as an important area in the field of strategic management (Mintzberg and Lampel, 1999; Burgelman et al., 2018). Scholars have reviewed the planning and formulation of business strategy from different angles, each contributing to the overall field (Chakravarthy and Doz, 1992; Farjoun, 2002; Whittington and Caillaud, 2008). As a result, it has been argued that the process of how strategy is generated and executed is vital for the success of firms (Covin et al., 2006). In understanding the underpinnings of the strategy process, it was evident that contextual application was necessary (Shepherd and Rudd, 2014). This was because several functions of the strategy process were governed by the environmental context (Nadkarni and Barr, 2008). Consequently, there was a limitation in understanding how the strategy process changes within a conflict zone where firms are exposed environmental complexities and institutional demands. This final chapter revisits the research rationale, highlighting the literature and theoretical contributions.

Empirical studies show that MNCs who are expanding into new regions have to adapt their strategy process to address local demands (Kolk and Lenfant, 2012). This has led to a growing interest in how the strategy process changes within differing contexts (Oh and Oetzel, 2016), particularly where the environmental context can influence strategic decision-making (Shepherd and Rudd, 2014). Environmental influence can emerge from characteristics linked to turbulent environments such as corruption (Berman et al., 2017) or institutions operating in the same region such as NGOs (Vachani et al., 2009; Kolk and Lenfant, 2012). Therefore, it is necessary to continue exploring the impact of specific contexts on the strategy process in order to further understand the influence of adverse environments (Hutzschenreuter and Kleindienst, 2006).

Within conflict zones NGOs are recognised as influential institutions, but are rarely considered (Kraemer et al., 2013). The strategy literature has been limited in recognising the effect of non-political institutions (Delmas and Toffel, 2008). Hence, this study aimed *to understand how the strategy process is influenced by social institutions within an unstable context*. Drawing on institutional theory, this study comprehends external organisational influences on the strategy process. The theoretical concepts of legitimacy, power and agency have been recognised, extending insight into strategic management within a conflict context. To fully comprehend NGO influences on the strategy process, this study chose a multilevel method of analysis. This provided a comprehensive perspective in understanding a firm's strategy process at a macro level, NGO relationships at a meso level and individual actors at a micro level. A multilevel analysis has been argued as an effective method to understanding how micro influences can equate to macro changes in the strategy process (Burgelman et al., 2018; Kouame and Langley, 2018).

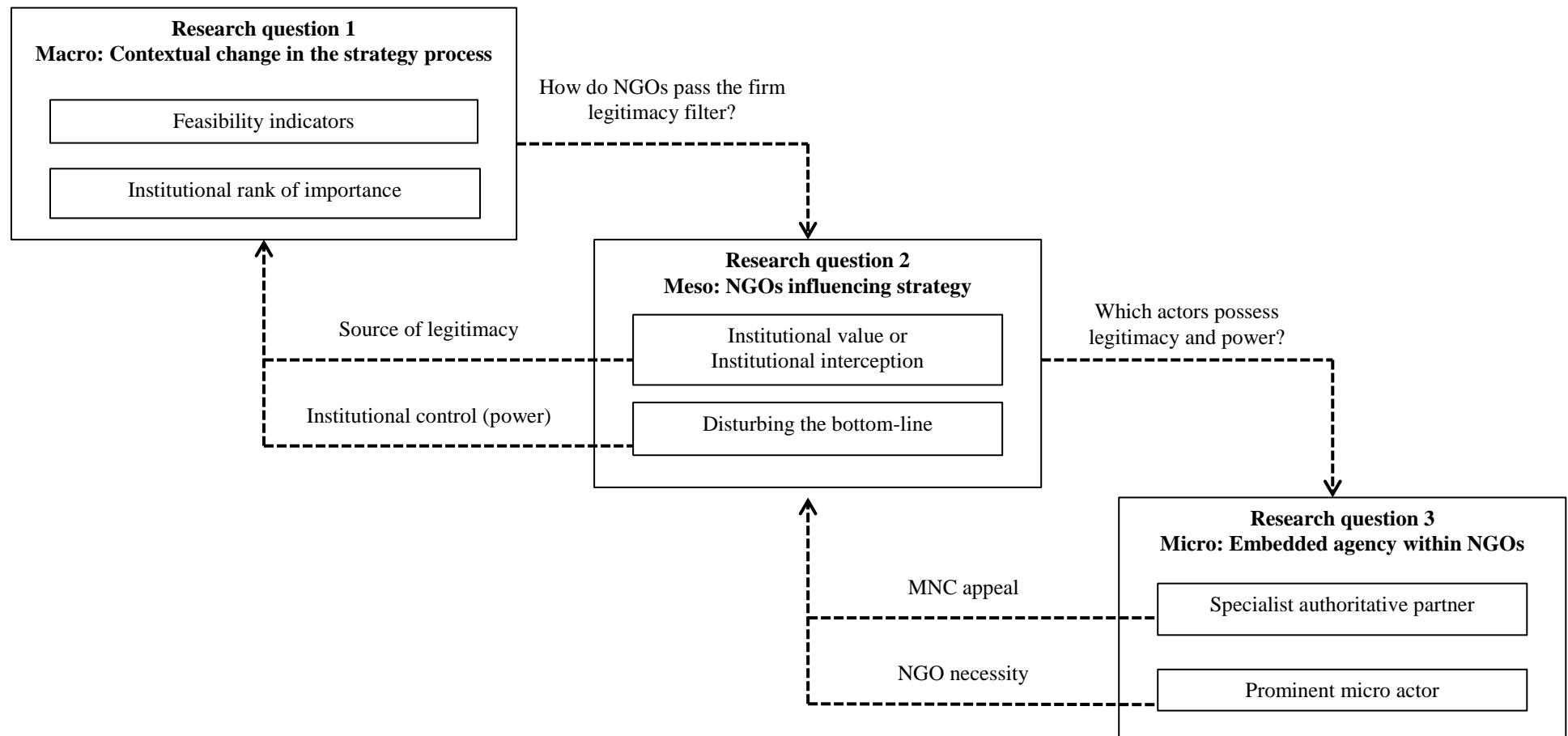
The multilevel method of analysis was reflected in the following three research questions designed to contribute to the overarching research aim:

- 1) What indicators are used in the strategy process for firms entering a conflict zone?*
- 2) How can NGOs as institutions possess legitimacy and power to influence a firm's strategy process in conflict zones?*
- 3) Which external individual actors are involved in influencing strategic decision-making for a firm in conflict zones?*

The findings were gathered from twenty-one semi-constructed interviews, conducted with senior individuals in MNCs and NGOs. These organisations have gained experience operating within the Middle East and North Africa (MENA) economic zone, which was the context of this study. Figure 9.1 illustrates the main findings within the macro, meso and micro levels of analysis. This chapter expands on these findings, drawing together the key contributions made to the strategy process

narrative and institutional theory. The chapter continues, suggesting recommendations for further research and highlighting the limitations of the study. This thesis comes to a close ending with a managerial summary and some concluding remarks.

Figure 9.1: Overview of findings and contributions

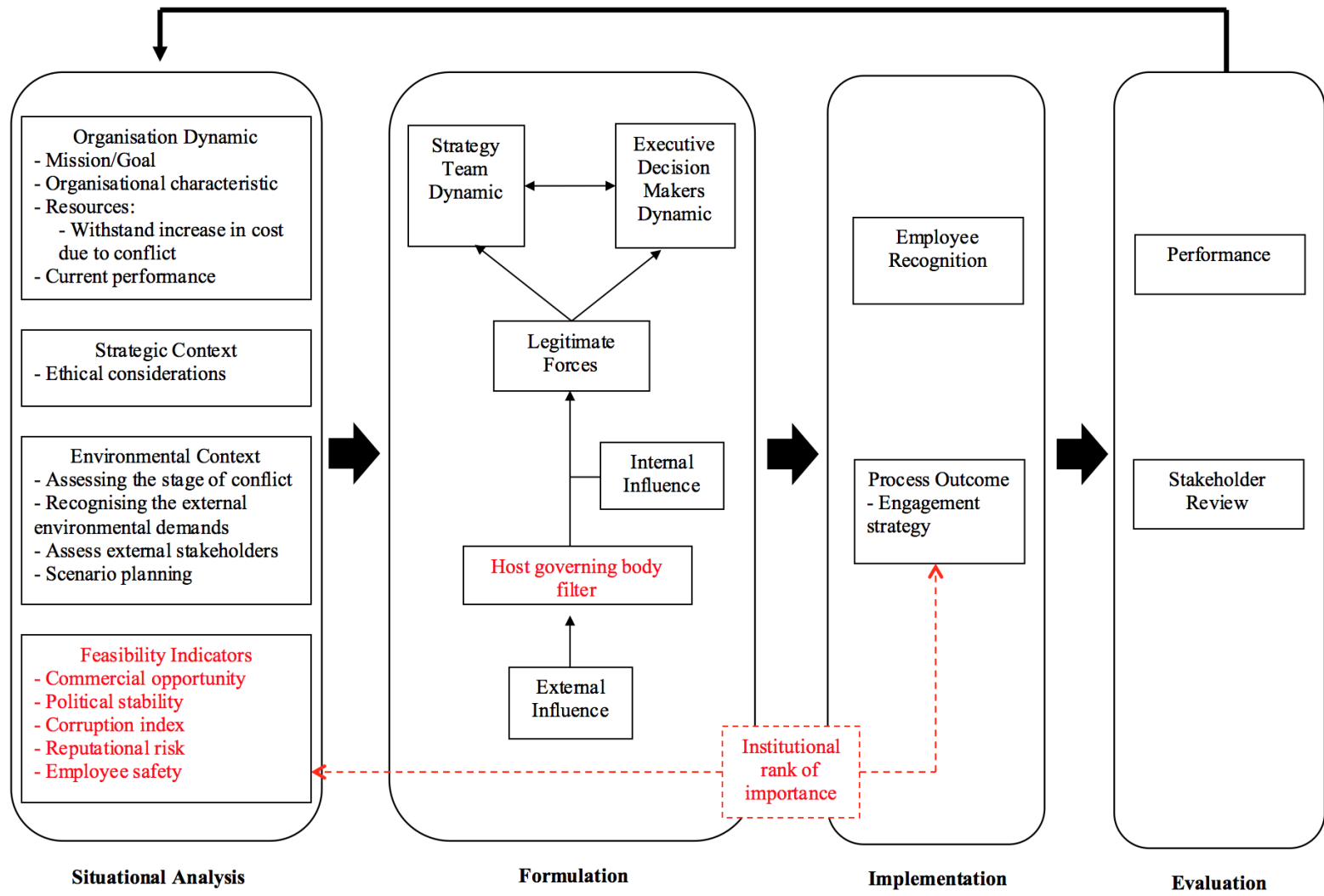


9.2 Contributions to the Strategy Process Narrative

In comparing several strategy process models in chapter two, a conceptual strategy process framework was developed. This framework was further developed in chapter three integrating how firms account for operating within a conflict environment. However, from a macro level there was contextual limitation in the strategy process narrative to showcase, which key indicators firms use to operate within a conflict zone; particularly with how firms plan to enter adverse environments and where institutions are accounted for within the strategy process. Understanding how the strategy process changes was necessary to comprehend how NGOs could pass firm legitimacy filters at a meso level and which type of agency possesses legitimacy at a micro level. Hence the direction of the study began at the macro firm level by understanding how the strategy process changes when placed within a conflict environment.

Building on previous scholars' understanding (Farjoun, 2002; Hutzschenreuter and Kleindienst, 2006; Burgelman et al., 2018), this thesis provided two key contributions to the strategy process narrative. These have been highlighted in Figure 9.2 building on the conceptual framework. Each of the two contributions has been explained below.

Figure 9.2: Conceptual framework of the strategy process in conflict zones



The first contribution was recognising *feasibility indicators* within the *Situational analysis* step. This was the main implication for the strategy process in conflict zones increasing complexity for strategic planning and formulation. The strategy process, when contextualised, needs to account for local indicators different to those of a stable operational environment. To plan for potential crisis, there are five key indicators specific to MNCs planning to enter a conflict environment: to identify commercial opportunity, political stability, corruption index, reputational risk, and employee safety. Though each of these areas is mentioned within the management field, the concept of *feasibility indicators* is an introduction to the strategy process and conflict zone narrative.

Mintzberg's (1978) seminal work in understanding 'emergent' and 'deliberate' strategy formations has been an important review in strategy process discussions. Mirabeau and Maguire (2014: 1212) argue that one aspect to reach an emergent strategy is by "manipulating strategic context for consonance". In other words, this would entail adding new categories and stretching a firm's capability to fit the situation. In the case of operating in a conflict zone firms have to analyse *feasibility indicators* and review if their capabilities can overcome the local demands. MNCs are not only concerned with their ability to operate in an unstable infrastructure, but also to ensure that they are not seen to fuel the conflict or have to operate within unethical practises.

In connection with feasibility, a hierarchical importance was identified where senior management and government regulation had greater control of strategic direction over NGOs in the early stages. Due to some regions possessing tight regulatory control, external influences would need to pass a *host governing body filter* before gaining access to MNCs. Hence, the concept of a *host governing body filter* was included within the *Formulation* step. From an institutional perspective, this creates a barrier for external influences to enter into the strategy formation discussion. This is specific to the context of this study. Particularly within the Middle East, governments have a tight regulatory control on which NGOs can operate, limiting their recognition within the early stages of the strategy process.

The second contribution involves recognising an *institutional rank of importance* within a conflict zone. For those NGOs that pass the *host government body filter*, MNCs are faced with how to react to different external forces. MNCs have an early recognition of NGOs that are activist or collaborative in their approach. Hence, the findings suggest that firms rank external pressure to gauge the necessity to respond to such demands. Dependent on the institution's ability to add value in the strategy planning stages, MNCs can gauge how useful an NGO would be. This has been reflected within the framework, as the institution's ability to reduce the risks identified in the *feasibility indicators* and contribute to the *process outcome* in the *Implementation* stage. NGOs have to support the firm's process outcome in order to be recognised as an important institution. Within a conflict setting if NGOs can reduce the firm's concerns highlighted within the situational analysis stage, they can be seen as a valuable organisation. This level of institutional rank is a key contribution to the strategy process narrative. Strategic management's recognition of where institutions such as NGOs fit within the process can extend insight on the effect of external organisations (Hutzschenreuter and Kleindienst, 2006). Understanding that firms have an institutional ranking system at a macro level supports a theoretical understanding of institutional legitimacy and power at a meso and micro level.

In the development of these two key contributions it is relevant to highlight the notion of temporality identified throughout the study. Given the context of this study, participants engaged with and provided experiences at different stages of conflict. This was recognised particularly where past experiences had informed subsequent strategic decision making in terms of movement and lowering reputational risk. There was also a link of how NGOs as institutions could gain recognition within the strategy process based on time taken to build credibility and micro actors learning the correct methods of rapport building. Where different periods of time can impact how firms engage with its operational environment (Bucheli and Kim, 2012; Guidolin and La Ferrara 2007), the concept of time would need to be taken into consideration. This can be the case in conflict contexts where historical events could determine how stakeholders react, directly or indirectly impacting firm strategy (Cuervo-Cazurra, 2016; Henisz et al., 2010). Incorporating the issues of temporality can develop these contributions to strategy process, in turn

providing a greater understanding of how feasibility indicators and institutional ranks change at different conflict stages.

9.3 Contributions to Institutional Theory

NGOs are recognised as trusted institutions due to their social regulatory role (Hollensbe et al., 2014). NGOs are motivated to manage societal issues, governing social behaviour and cognitive structures becoming subjects that define institutional theory (Scott, 1995). From a macro perspective, firms set a legitimacy filter and an institutional rank of importance within their strategy process. As a result, a question remained from a meso level as to how NGOs could gain legitimacy to influence key strategy decision-makers. Additionally, it has been identified that legitimacy is interlinked with power (Henisz and Zelner, 2005; Delmas and Toffel, 2008) and actors from a micro level (Daniels et al., 2002; Stevens et al., 2015). Therefore, to fully understand legitimacy and NGO influence, power and actors were also intertwined. Firms are exposed to NGO influences within the *Formulation* step and *Evaluation* step of the strategy process. This is reflected as the *external influences* and *stakeholder reviews* subsections. Using an institutional theoretical lens to understand how NGOs can influence firm strategy, three key contributions are made.

The first theoretical contribution is the source of legitimacy. Legitimacy is a central concept within institutional theory (Suddaby et al., 2017). Due to the increase of external demands firms have developed a legitimacy filter to gauge the importance and urgency to respond (Henisz and Zelner, 2005; Scherer et al., 2013). The literature provides in-depth knowledge of the necessity to gain legitimacy for external organisations to influence (Suddaby et al., 2017). However, the source of legitimacy is vague, particularly for non-political institutions such as NGOs in heterogeneous environments. From a meso level, this study shows that NGOs can pass firm legitimacy filters either through *institutional value* or *institutional interception*. This is has extended insight of the sources of legitimacy within a conflict environment, where legitimacy research needs to advance within the empirical settings of “natural disasters, epidemics and wars” (Deephouse et al., 2017: 47).

The concept of *institutional value* highlights that MNCs prefer to work with collaborative firms. Firms set an internal legitimacy filter to restrict any external organisations that would hinder business operations, such as activist NGOs or organisations that question business integrity. Thus NGOs have to provide value to the firm in order to gain recognition. As recognised earlier, if a NGO can assist in removing firm concerns, MNCs are willing to accept external influences on strategic direction. Examples from research participants show MNCs working with humanitarian organisations and allocating resources for CSR to enhance brand image. These NGOs are collaborative and professional in their approach. Suchman's (1995) notion of strategic legitimacy resonates with the argument of NGOs passing the legitimacy filter with institutional value. However, in this case NGOs are seen as non-market performers, thus the organisational influence of strategy can be for alternative interests.

Alternatively, there are NGOs who can pass the legitimacy filter through *institutional interception*. As recognised, there are operational differences between NGOs. For those NGOs that play a stronger regulatory role, legitimacy is gained through collective public support. These NGOs can question business operations and MNCs must respond due to the NGO representing societal concern; for example, organisations involved in eliminating unethical business practises (corruption, human rights and environmental abuse). NGOs that represent social welfare can intercept business practise if seen as inappropriate. Cases have been reviewed within the business management narrative (Sharma and Henriques, 2005); however, within strategy process research this institutional perspective has been overlooked.

The second theoretical contribution was to institutional control. Institutional control has been placed under on the theoretical concept of power (Goodstein and Velamuri, 2009). Institutional power has been commonly associated as a micro phenomenon (Pacheco et al., 2010). However, given the complexities of conflict zones and strategy-making (Grant, 2003; Berman et al., 2017) it was vague as to how NGOs can gain the attention of key strategic decision-makers. This is due to the complex dynamic between actors internal to a firm involved in the formulation of strategy (Eisenhardt and Bourgeois, 1988; Mueller et al., 2013). Consequently, there was a

need to understand how NGOs could gain institutional control over the firm's underlying objectives from a meso perspective. Understanding power at a meso level can support the link between organisational objectives (macro) and individual agents of change (micro) (Rao et al., 2000; Kozłowski et al., 2013). This study shows that from a meso level, NGOs' ability to gain institutional control is based on *disturbing the bottom-line*; NGOs would need to positively or negatively impact the firm's financial flow or business operations.

The three themes supporting this conclusion include, highlighting a social concern, influential channels (consistent pressure, NGO knowledge and CSR activities) and institutional power (credibility, regulatory figure, personal network, emotional attachment and influencing the legal system). By highlighting an area of social concern MNCs are open to influential channels. In these cases, institutions choose to influence through shaping individual ideologies (Munir, 2015). However, the empirical data shows that influential power is only possible if the NGO possess credibility and is recognised as a regulatory figure. By representing a social cause and public welfare, a section of society legitimises the organisation, in turn providing power to represent the public opinion. An example was seen by a Palestinian activist group convincing consumers to boycott Israeli food companies. In turn, the Israeli company only responded once their financial flow was affected.

The third theoretical contribution focuses on which embedded agency could influence firm strategy. In understanding how NGOs could gain legitimacy and power from a meso level, a question remained as to which individual actors possess these abilities. Embedded agency refers to individual actors who are purposefully placed within an institution with assigned roles (Garud et al., 2007). Only certain external agency would be able to influence the formulation of firm strategy (Drori and Honig, 2013). However, institutional insight has overlooked the interaction between actors and how they can influence intentions and behaviour (Lawrence, 2008). Hence, there was a need to uncover which type of embedded agency within NGOs could influence firm actors. Furthermore, within the strategy process research, understanding the micro phenomena that can lead to macro changes has become an emerging topic (Kouame and Langley, 2018). Hence, Burgelman et al. (2018) call for further insight into the role external actors play in strategic decision-making. This

study forms two types of embedded agency within NGOs that could influence strategy, a *specialist authoritative partner* and a *prominent micro actor*.

The concept of a *specialist authoritative partner* was formed by understanding which individual actors MNC's appeal to work with. This study shows that MNCs prefer to communicate with senior management of an external organisation. This is based on the belief that higher authority is linked with experience and organisational plans. As recognised at a macro level, MNCs will connect with an NGO if the external organisation can add value to the firm by removing concerns in a conflict setting. Thus, from a micro level also being an institutional specialist within an actor's field can increase their value and influential capacity. This is not only to influence the MNC representative, but also to ensure that the MNC representative influence senior management within the organisation. This influential power is based on possessing a higher knowledge resource.

The concept of a *prominent micro actor* is used to describe the necessities of the individual actor's characteristics embedded within NGOs. These type of actors possess the ability to gain legitimacy and power to influence firm strategy, building on Bitektine and Haack's (2015) notion of actors establishing an alliance or partnership. To support these agents of change first requires a positive internal institutional behaviour to connect with MNCs. If the support is limited an embedded actor needs to shift internal organisational behaviour to support their cause. Subsequently, with the backing of their organisation this micro actor should possess the ability to form strategic partnerships. As NGOs are socially driven (Doh and Guay, 2006), not all members have the business acumen that resonates with MNCs. This prominent micro actor would need to be able to understand business attitude and possess the ability to connect locally with key decision-makers. Additionally, this actor should possess institutional conviction. Being driven through social concern would support in persuasive power and build rapport with firm representatives.

9.4 Recommendations for Future Research

This study provides insight into how the strategy process changes when applied to conflict zones, specifically within the MENA region. Furthermore, the influential effect of NGOs on the strategy process has been reviewed, understanding how external organisations and micro actors can gain legitimacy and power. Though this study has joined the strategy process narrative in the strategic management field, the themes that have arisen also bring into question temporality (Lippmann and Aldrich, 2016), organisational studies (Land et al, 2014), sustainability and CSR (Sharma and Henriques, 2005; Oetzel et al., 2010; Husted et al., 2016) and peace through commerce (Branzei and Abdelnour, 2010; Katsos and AlKafaji, 2017). Each of these key themes can extend this study on strategy process and provide direction for future research. Furthermore, a recommendation can be made for future data collection.

9.4.1 Temporality

Conflict has shown different stages based on periodic events. As a result, how firms react at different stages of conflict can impact their relationships with their operational environment and institutions. This opens up an avenue for future research to understand where temporality sits within the strategy process. To gain a greater perspective of how social institutions can influence the strategy process, a subsequent study can understand if historical events and different stages of conflict change how strategists think. To make sense of data collected in different time periods, a notion of temporality needs to be included within a research design (Langley, 1999). Use of a temporal context can support an understanding where research participants may sit at different points in time (Lippmann and Aldrich, 2016). Lippmann and Aldrich (2016: 61) expand suggesting that temporality is a necessary context particularly where “cross-national and historical investigations has revealed that time is not necessarily linear, universal or progressive”.

9.4.2 Organisational studies

The empirical data show that firms react to conflict differently, which is reflected within decision-making and the strategy process. This is based on the organisational behaviour of firms with their capacity to absorb risk and industry experience. The literature recognises the strategy process as not linear, but rather being shaped through multiple internal and external influences (Farjoun, 2002; Hutzschenreuter and Kleindienst, 2006). Thus, further understanding the manner of which organisational behaviour can shape the strategy process in conflict zones would be an interesting dependent variable. This could incorporate the views of firm characteristics in strategic decision-making (Elbanna and Child, 2007) and institutional complexity (Marano and Kostova, 2015).

9.4.3 Sustainability and CSR

Sustainability has been viewed from both international strategy (Hitt et al., 2016) and social responsibility (Jamali and Mirshak, 2010; Kolk, 2015). Within the findings it is seen that the majority of the firms link NGOs to corporate social responsibility (CSR). With firms becoming more aware of the social expectations to provide back to the international community, there is a call for research to review where CSR fits within corporate strategy (Miles, 2012; Kolk, 2015). The notion of shared value has emerged within the management literature (Porter and Kramer, 2011). Thus, there is a need to understand the process of CSR internal to a firm when subjected to institutional pressure. This extension of research would contribute to the study of Henisz et al. (2014), understanding financial returns from stakeholder engagement.

9.4.4 Peace through commerce

Studies have reviewed the impact of commercial activity in stabilising post-conflict zones and the contribution to establishing peace in unstable environments (Berman, 2000; Katsos and Forrer, 2014; Ford, 2015; Forrer and Katsos, 2015). Subsequently, the term ‘peace through commerce’ has entered the management discussion (Fort,

2009; Oetzel et al., 2010). Katsos and AlKafaji (2017) share insight into businesses operating in war zones, providing positive findings of firms contributing to peace within Iraq. This aspect correlates with the empirical data uncovered within this thesis. It was seen that firms were more likely to respond to NGOs during a conflict period. The notion of MNC and NGO relationships can be extended to research how the 'peace through commerce' agenda enters into strategic decision-making. However, this enquiry requires extended time and access to research subjects.

9.4.5 Case study research design

A methodological recommendation for future research is to incorporate a case study research design. A case study can be useful to focus on a particular scenario or event (Williams and Shepherd, 2016). In turn, collecting data on a specific event can provide further clarity of why organisations react to external influences. A case study was particularly useful in Drori and Honig's (2013) research design to draw inferences from internal and external organisational legitimacy. The authors conducted a longitudinal case study on one company in order to understand casual relationships. Future research on MNC and NGO interactions can build a series of case studies understanding the relationship of two organisations that have a direct impact on each other in conflict zones; for example, gaining a multilevel understanding of how the activist NGO Greenpeace could influence MNC Shell Oil (Soule, 2012).

9.5 Limitations of the Research

As with all studies there are some limitations that inevitably restrict the full potential of the research. This study carried three limitations. Firstly the findings have been generalised to all industries operating within the MENA region. Focusing on one industry could have shown clearer understanding, though this would require an extended data collection period and access to research participants. Nonetheless, understanding a specific industry was not the main aim of the study. Where the main area of enquiry reviewed institutional influences on MNCs within a conflict context,

the study was open to all industries operating in the region. Furthermore, the intensity of conflict within MENA differs between countries. This factor was also not indicated within the conceptual strategy process framework due to complications in providing accurate measurement. Nevertheless, as noted within the literature, conflict can affect a complete region, thus firms are more likely to react in the same way (Abadie and Gardeazabal, 2008; Czinkota et al., 2010).

Secondly, this study did not account for firm implementation to enter the conflict country. As the MNC participants were sharing their experience already operating within the MENA economic zone, the focal point was on external influences. However, how the firm entered the conflict region could have impacted the perception and relationship with NGOs. Where this study was taken from an institutional perspective, the main focus was on external influences. The researcher made an assumption that how the MNC gained access into the conflict zone would be indifferent to how NGOs could influence strategic direction.

Lastly, there is a limitation in this study to take into account the degree of individual actors' experiences within a conflict region. Prior studies show how experience can develop the resilience of firms when operating within unstable environments (Branzei and Abdelnour, 2010; Bullough et al., 2014). The experience of each participant could have contributed to building relationships with MNCs and NGOs. Though this study took into account the traits needed for influential micro actors, the level of experience was not accounted for.

9.6 Managerial Summary: NGOs Influencing Strategy and Strengthening the Relationship with MNCs

This study provided insight from ten MNC and eleven NGO representatives who had gained experience operating within the MENA economic region. Additionally, an in-depth literature review was carried out on both MNCs and NGOs operating within conflict environments. From both of these primary and secondary sources, an understanding had been developed on how and why each party operates. In conclusion of this study, there had been a managerial observation where MNCs and

NGOs lacked complete clarity of regional stakeholders' necessities and intentions. Understanding these perceptions would benefit academics and practitioners, strengthening the relationship between MNCs and NGOs.

MNCs enter unstable environments on the basis that they can absorb the risk factors attached. Prior to entering a conflict zone firms conduct a thorough situational analysis, particularly reviewing feasibility. Key feasibility indicators include commercial opportunity, reputational risk and safety. Furthermore, due to the increase in external demands, firms have established an internal cognitive legitimacy filter. Firms use this filter as a rank of importance, assessing risk and value. In entering a conflict region further financial resources are allocated to ensure the correct infrastructure is in place. An example provided by a participant highlighted an employee compound with luxury amenities and increased safety measures to attract a workforce to a conflict area. Therefore, the potential monetary gain for the MNC to set up in a conflict area must be high enough to account for the increase in start-up costs. These considerations are made in the early stages of the strategy process. The notion of providing something back to the host community would not be acknowledged until financial gain can be made or value is given back to the firm. For example, a participant shared an experience where the firm had built a hospital to form a relationship with the local community. Generating a positive image to the local community was important to ensure the ten-year strategic plan was not interrupted. Institutions must understand this level of thought when attempting to influence MNCs. Depending on the global reach of the MNC, certain connections with NGOs in the conflict zone are based on enhancing global and local reputation. Discussions of sustainability and CSR have entered into professional strategy discussions due to consistent pressure and social expectation. Some participants had further explained that, due to the rise of open source media, business practices have become easier to regulate. In turn, institutions such as NGOs have found it easier to form social movements increasing their influential ability. NGOs can be categorised into three key structures.

Firstly, the most common are organisations that specialise in solving a particular issue within society. Some issues shared by participants include access to clean water, mental health and natural disaster aid. MNCs consider these types of NGOs as

collaborative and legitimate to cooperate with. If there were an internal influence within the firm or external request for assistance, MNCs would be more willing to incorporate the support within their strategic decisions. Particularly, within a conflict environment, an MNC would be more willing to respond to a collaborative NGO if they can reduce risk and support toward the business objectives. In other words, these NGOs would have to add value to the firm in order to be considered. Collaborative NGOs thrive from the financial support provided from businesses, thus they are also more willing to meet MNCs' demands.

The second category can be considered as activist NGOs. The objective of an activist NGO is to create a social movement to hinder MNC business operation due to conflicting agendas. The approach used by these NGOs aims to support a segment of society who may be negatively affected by business operations. In turn, the main agenda would be to hinder the firm's financial flow and brand image. This study recognised that within some parts of the Middle East, activist NGOs would be restricted from entering the country. Consequently, for NGOs to achieve their goal a different approach would be advisable. The empirical findings suggest that NGOs are unfamiliar with the strategy process of MNCs. This insight would support an NGO's ability to negotiate in a strategic sense. Institutional control could be gained if the NGO could disturb the firm's business operation or finances.

Lastly, the third type of NGO would sit between collaborative and activist. These NGOs play a regulatory role to ensure the business sector stay within the ethical parameters. Social regulative NGOs aspire to collaborate with MNCs as an educative consultant to trade in conflict areas. However, if NGO investigations prove that an MNC is being successful at a negative cost of society, the NGO can become authoritative. None of the twenty-one participants interviewed insinuated any form of unethical behaviour. However, some examples shared highlighted NGOs uncovering corporate corruption to win tenders and bribery to gain access to certain markets. Social regulative NGOs can intercept the strategy process if they can gain institutional control.

Within strategic management, knowing that external influences are applied from NGOs in these three categories can ensure the correct preparations are carried out. In

turn, understanding these empirical observations from a general management sense can strengthen the relationship between MNCs and NGOs within conflict zones.

9.7 Concluding Remarks

In summary, valuable insight has been gained to answer the aim of this thesis, *to understand how the strategy process is influenced by social institutions within an unstable context*. Conflict zones are becoming an increasing area of discussion within the business management literature (Kolk and Lenfant, 2012; Dai et al., 2013; Hiatt and Sine, 2014). Thought on market survival and foreign direct investment has been extended to conflict regions (Branzei and Abdelnour, 2010; Hiatt and Sine, 2014; Darendeli and Hill, 2016). Due to NGOs operating within the same region, firms have been faced with institutional pressures (Vachani et al., 2009; Kolk and Lenfant, 2012). As a result, it is important to understand how the external environment can influence the strategy process (Farjoun, 2002; Hutzschenreuter and Kleindienst, 2006) and microelements that direct strategic decision-making (Burgelman et al., 2018). This study aspired to extend strategy and institutional narratives into a conflict context.

Drawing on institutional theory supported an understanding of NGOs influencing the strategy process in conflict zones. Theoretical concepts of legitimacy (Suddaby et al., 2017), power (Lawrence, 2008) and agency (Leca et al., 2008) became apparent in organisational influence. To answer the research aim, three research questions were formed addressing the macro, meso and micro phenomena. From a macro level of analysis, it was seen that feasibility indicators and an institutional rank of importance was needed to contextualise the strategy process to conflict zones. From a meso level, the NGO's source of legitimacy to pass firm filters was based on either institutional value or institutional interception. Ultimately, institutional control was dependent on the NGO's ability to disturb the bottom line. A microanalysis recognised that only certain embedded agency within NGOs could possess legitimacy and power. Agents of change either had to be a specialist authoritative partner or a prominent micro actor.

This thesis has brought together three important and relevant areas of discussion contributing to strategy and institutional literature. By understanding the process of strategy within an environment, which is governed by institutional expectations and civil or political instability, scholars can conceptualise actualities. The complexity of strategy planning and organisational influence has been displayed in recognisable terms, contributing a conceptual framework and developed concepts to theory and practise. As Burgelman et al. (2018) suggest, strategy process research continues to advance into new contexts becoming ever more diverse.

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APPENDICES

1 - Interview question guide for MNCs

Research Question Number	Interview Questions
1	<p>How do you define business strategy for your firm?</p> <p>What is the step-by-step process in creating strategy? (Situational Analysis, Formulation, Implementation, Evaluation)</p> <p>How is this different when planning to operate within a conflict zone or turbulent environment?</p> <p>What are the key components in building strategy?</p> <p>What is your role in this process?</p> <p>Which other members/teams are involved?</p> <p>Does one member have greater influence than others?</p>
2	<p>When planning to enter a conflict zone, does the firm experience external pressure?</p> <p>Has the firm worked with or had faced pressure from NGOs?</p> <p>How does the firm account for this?</p> <p>Does the actions of an NGO affect the strategic decision making process? If so, what are the actions?</p> <p>Do these affect strategy directly or indirectly?</p> <p>How does the firm legitimise which NGOs to respond to or not?</p>
3	<p>From a micro perspective, is there an individual or a group of individuals within an NGO, which you would regard as important? If so, why?</p> <p>Has the actions of this individual changed or influenced the business strategy or the firm?</p>

2 - Interview question guide for NGOs

Research Question Number	Interview Questions
1 2	<p>What is your role within the NGO?</p> <p>Are you aware of the process or steps taken by firms when creating a business strategy to enter a conflict zone?</p> <p>As an NGO is it within your interest to work with or take action against the firm? Why so?</p> <p>Which point of the firms strategic process would you feel your NGO should be included or to intercept?</p>
2	<p>Would you want to influence the strategic decision of the firm?</p> <p>If so, why and how?</p> <p>Do you get recognised by the firm?</p> <p>Do you take any steps to legitimise your approach to gain recognition from the firm?</p> <p>Have you been successful in influencing a firm's actions?</p> <p>If so, what do you feel gave you the power to execute that change?</p>
3	<p>Would you say your position plays a part in creating change?</p> <p>Who are the key members within your NGO who work directly with firms?</p> <p>Would you say these are the key members who have the power to influence firms?</p>

3 - MENA Countries

Algeria

Bahrain

Egypt

Iran (Islamic Republic of)

Iraq

Israel

Jordan

Kuwait

Lebanon

Libya

Morocco

Oman

Qatar

Saudi Arabia

State of Palestine

Syrian Arab Republic

Tunisia

United Arab Emirates

Yemen

4 – Participant MNC 1 Interview Transcript

Interview Participant MNC 1

Interviewer: 0:03

I want to start by gathering an understanding of your views of business strategy. How would you define business strategy?

Participant: 0:03 – 0:10

Oh, you are putting me on the hot seat (laughter). It was some time when I did my MBA. Ok, so lets see. Ours is predominantly a card business. Not predominantly, it is a card business. Card and merchant acquirers, merchant being where a card is accepted. Industry is very fast changing in terms of technology, in terms of environment, mainly because it is Saudi Arabia and so on. So we do a strategy of generally three years. It is never more than three years. But sometimes we extend that, those financial projections extrapolate them into years four and five, because our head office always wants a five year view point as to where we are going to be. Then we keep rolling these numbers sometimes. But at any given times we do not do more than three years because the technology changes a lot. We are in the card business, technology keeps changing so our strategy must stay in line with that. The population in the Middle East is very transient including Saudi Arabia. Though our client base in Saudi, predominantly Saudi, the non-Saudi client base is very fluid, transient. You have people come into the portfolio, leaving portfolio and last couple of years, the oil prices being where they are, that hasn't helped. So there has been more churning in that part of the portfolio. Even within Saudi portfolio, people cannot afford to pay, that's the long and short of it.

So what we do, we start off with the geo-political situation, oil prices, because the economy is a good 70-80% based on oil or oil related. Particularly Saudi more so, if you look at UAE, Dubai, maybe Bahrain, Qatar and all that, it is less dependent on oil. Oil and Gas predominantly, but they have certain amount of trade, certain amount of import export, export also which Saudi has very little off. So whatever Saudi import is for internal consumption. Never for value adding and then processing and sending it out. So this is differences between other GCC countries and Saudi Arabia. Within the Middle East you will find many other big markets in terms of population, like Turkey is there, Egypt is there which is the big market again and of course Levant counties which is Jordan Syria Yemen. Syria is very unstable and Syria main, and Lebanon is unstable as well. And Yemen which again is having a War with Saudi Arabia. So this is very testing times, trying times. So what we do, we start off with the economic indicators, the population and trade, oil price estimate for next three four years, domestic product, you could say GDP growth, GDP per capita growth, surplus for people to spend, that's specific to our industry probably, because people will have to spend of the food, education, clothes, where they stay, their cars, basic minimum. And beyond that, whatever they have that would be their discretionary spend, and a fair amount of that may be spent using plastic cards. And then on plastics cards, what is our share, so we look at our share of that, and we see how that is going to grow. We take into account the technological developments, what has happened over the past three four years, where the trend is.

And the technological development is driven by a few things, also by the regulators. The regulators say that you have to have certain technological, common grounds for processing of payments, from transferring the charges from one issuer to another issuer. From an acquirer and you know the merchant acceptances and so on. So technology is driven by that. Technology is driven by what is happening in the rest of the world, because the cards will not be used only in Saudi Arabia, but also when I travel to UK or US or wherever, obviously I'll be using cards over there. Technology will be used, not only for processing the charges, but for communications, for marketing strategies, marketing information coming to me. If I go to New York, then obviously I would want to know where I can use my <business name> card. Or <business name> has my profile. They know I like to eat at such and such places, maybe go to a golf tournament, maybe watch let's say a theatre or something. So they have profiled me. And all the related information will come to me. But that has to be through the merchant network as well. Because we will not have all the information over here. But as a network we have the entire information. The US network will be coordinating with our Network and sending me information. And the two of them and so on. So technology is very important.

Interviewer 00:10

Ok, so Technology is a very important aspect when it comes to your strategy, particularly for the card market being one of your key products. When we look at the process steps for creating strategy, you mentioned Yemen was at war with Saudi Arabia. Would you have to account for this somewhere within your strategy process? Would you have to account for unstable countries, which could affect your strategic planning?

Participant: 0:10 – 0:14

Yes, it affects it big time. We are a global business at the end of the day. Not just Yemen, in the sense, our people would travel to Yemen, try to generate some business, that business has come to a standstill. Same thing with Syria and few of the Levant counties. Feasibility is needed. Turkey has been, I mean, we are not even allowed to travel to Turkey from a security point of view. Leave that aside. Take Brexit. Brexit has brought down the pound sterling from 1.3, 1.35 to the dollar to 1.2 or something, so the business generated over there also gets affected. What, as an example, if you were our customer and you were to spend, thousand pounds on a particular item. You would still spend a thousand pounds. But in the past we would have billed you one thousand five hundred dollars because that was the rate. Now we could bill you one thousand three hundred dollars. Because it is a dollar based economy. So as the dollar gets stronger, this is not good for us at times. To some extent it is good for us because people would travel more and spend, but if you look at the elite class of people that is our customer, they would spend of the higher end of the spectrum, these people don't have, these people's demands are rather inelastic. If they need to buy a property, let's say, or if they need to buy a car, they are not going to buy a car and half just because the dollar rates have gone down. Again, you know what I mean. Or if they are going to stay in London for a week, they are going to stay for a week. They are not going to say if the pound is cheaper they going to stay for nine days. It's doesn't happen that way. We found that the demand is rather inelastic. So the exchange rates really matter a lot to us. One way or the other. This all comes into feasibility and also forecasting. Understanding how people spend.

And what impact this could have if crisis was to occur. Within the first stages of our strategic forecasting we need to plan for any potential crisis which could arise.

Interviewer 00:14

I see, ok. So when it comes to formulating strategy and setting up within Saudi, who would you say are the key members involved?

Participant: 0:14 – 0:16

It's pretty much done locally, a bottom up approach. For <company name>, so different units, in Europe Middle East and Africa would have their strategy prepared and that would be consolidated EMEA level, Europe Middle East and Africa level, and that would then go up. Each country would have a local director. There always is a dialogue, if we say one hundred, the head office will say one hundred and twenty, and we would come to middle and say one hundred and ten. There's a negotiation with the headquarters when setting targets That's just an internal discussion, but the strategy is pretty much around governance, regulation requirements, economics conditions, geo political situation, oil crisis, as we are so much dependent on that and technology, I would say.

Interviewer 00:16

Who would have the greater influence, if we were to look at specific heads and employees within the organisation? Who would have greater influence in dictating what the strategy should be?

Participant: 0:16 – 0:18

Along with myself, we have other key executives which have to shape the direction of business. It's pretty much the CEO, the CFO which is myself, we will have head of IT, head of compliance governance to tell us what are the new trends, head business development to keep a tab on where the business growth is possible, and that's about it really. And then there's head of marketing and other departments that makes sure are using the latest communication channels, such as Facebook and social media. They take lead but that is more on implementation side. When it comes to strategy its CFO which is myself, CEO and head of business development, governance. We play a role in entering markets, setting targets etc. Working with our head office. It is a matter of constant pre-planning and predicting what the future will bring.

Interviewer 00:18

Has <company name> ever experienced influence from any other organisation? For example any interest groups who may put pressure on CSR or any organisations who want to change your strategic direction?

Participant: 0:18 – 0:20

We don't have any external pressure as such in Saudi Arabia. We do have some CSR activities, but those are voluntary and where we can contribute has to be monitored by <company name>, local governance, just to make sure that the NGOs we go for, or the charities or the non-profit organisations that we go for are kind of clean, are do not get us into any reputational trouble. Also the government control which NGOs can operate here. Beyond on that there is no pressure as such to contribute more to the economy. Or anything. In terms of sustainability, it's pretty much an internal

part. It's more our internal culture. There are no regulatory requirements, we take care of it. We do this from a voluntary aspect. It's purely out of our own interest to give something back.

Interviewer 00:20

Oh ok, that's nice. Do you have any examples of how you have connected with any groups or organisations?

Participant: 0:20

Not really, I can't think of anything at the moment. (Laughter)

Interviewer 00:20

That's fine. As you read in my brief, I'm looking into the NGO corporate link and where this sits within the process of strategy, and it was interesting to recognise which external factors can influence strategy, as you mentioned the local governance plays a huge role.

Participant: 0:21

Absolutely, absolutely, yes! The local governance has more of an influence on strategy as you can imagine with legalities. They can dictate what we can and cannot do.

Interviewer 00:21

If I'm correct, you also mentioned the oil prices has a big impact on strategy, but not particularly any external organisations, such as the common example of activism on the mining industry? Within the banking sector do you experience such activities?

Participant: 0:22

No, no, not from Greenpeace, not from anyone really. We don't really make contact with them directly or indirectly. That's how it is.

Interviewer 00:22

Ok, so when we look at the strategy process, in the planning stages, do you take into consideration any scenario planning as you mentioned Saudi can be affected by unstable countries in the Middle East.

Participant: 0:22 – 0:25

I wouldn't say exactly scenario planning, but we have a risk department, right, and that risk takes into account geo-political risk, country risk, takes into account, lets say other external factors which are out of our control, market risk, country risk, what else can I say. We monitor these things, but we do not necessarily put a price tag on that, that if this goes down then will mean to many million dollars lost for us. We generally don't do that. But we have a fairly detailed risk register for internal processes which accounts for what may be the external impact. Its almost like a SWOT analysis, of which these are the treads which we do not have much of a control of but yes, it could be geo-political stability or instability or oil prices going down, so forth, and the local labour requirements keep changing, again that is part of the government, governance issue. We have to have certain amount of Saudis working in our organisation.

Interviewer 00:25

Ok, so you mentioned that Saudi is going through some issues in international relations with certain countries but how could you regard the issue from where you are based in terms of conflict?

Participant: 0:25 – 0:27

It's a pretty safe place, and I think the economy is growing despite the oil prices going down and so on, you can do a Google search on Saudi, our business has been growing, our economy has been growing. There has been some disruptions in the geo-political climate, but security is tight. For example though Saudi has trouble with some of their neighbours, it's at a higher international level. And because it is highly regulated on a ground level we don't face any particular NGO pressure. The country likes to keep a strong control on what is happening. There is a tight control in this country. More than the disruption on the economy, have been concerned on the digital disruptions, we don't know when the smart phone will replace the credit card. I don't know. So (laughter), so that's the bigger worry, than the government or the economic conditions, I must say. But it is a safe place. I feel safe. My mum is here. If it wasn't a safe place I probably wouldn't be here.

Interviewer 00:27

Ok that's nice to hear, thank you for sharing. There were some questions relating to NGOs but I don't think they apply to you given what you have shared. If civil conflict was to arise in Saudi Arabia, has <company name> put into place any measures to effectively respond?

Participant: 0:27 – 0:32

I hope it doesn't arise. And it is a difficult question but something we cannot put past us. We have detailed business continuity plans in disaster recover sites. Operating in the Middle East, requires through planning, even if Saudi is a safe place to live, from a business point of view, conflict is not far away geo-graphically. It's not the same as operating for example in Scandinavia. (Pause) So whatever set up we have in Riyadh is replicated in another city, but that is assuming that everyone who can work in Riyadh can move to the other city and work there as well and keep the business going. There are standard business continuity plans. Some of disaster specifications are also internal, given to us by <company name>, as well as what the central bank mandate. (Pause) So, we take all that into account. If there was a civil disturbance, as long as there was no physical threat to our lives, and property, then business may go down, but it will continue. That's for sure. If the conflict was to get out of hand, then no doubt safety comes first. Also conflict affects conversion rates. This needs to be analysed. But there is only so much pre-planning that can be done.

Interviewer 00:32

Wow, for sure. Ok, so you mentioned that your strategy is in a cycle of three years. At the end of three years, how do you evaluate and renew the process of strategy to update your next movement?

Participant: 0:32 – 0:37

We touch base with our head office, ok, we have shareholders which are not in card business, but <company name> is a share holder and we have some local shareholders. So, we get the strategic direction, you could say, of what is happening

and where <company name> as a brand wishes to go in the next three, four, five years. We get thorough directions from them, local shareholders and local management decides on what our capabilities are, what our bandwidths are, how far we are growing, what's our strengths and weaknesses and so on. And the strategic process goes on for three, four, five months at least. It starts around May, June, and goes on till about October, November when the board accepts the strategy and the first year of the strategic plan becomes the budget and subsequent year. And then the years after that we keep comparing our annual plan with the strategic plan and see where we are. We say that we wanted to achieve such and such in year one, such and such in year two, and other things in year three, where do we stand against that, so that strategy document gets updated on an annual basis, if not more frequently.

Interviewer 00:37

Ok and within the renewal of strategy, of course competition would be include and the market environment, but would you also take into account non-market environment and the social aspects, civil movements etc. as you mentioned geo-political.

Participant: 0:37 – 0:38

Yeah, all of it, all of it. The benchmarks are against the competition and market share. We need to at least maintain the market share, if not increase it. If the market is increasing we need to increase our share also. We take into account competition as well as all the other factors you mentioned such as political climate, conflict arising and so on.

Interviewer 00:38

Ok, so we are coming near to the end. I just wanted to know, the aspect of legitimacy. When you work with external organisations, how do you legitimise the external requests? How do you feel or what parameter do you use to assess if it would be appropriate for <company name> to speak with the external organisation?

Participant: 0:38 – 0:41

There are some NGOs that we work with, I don't know if you can call them NGOs or charities or whatever. These are the ones that have been given a clearance by the government in terms of what they can do in Saudi Arabia and have registered and they probably have a registration number. We go through their charter, articles of association. We run things throughout our head office, making sure there is no conflict of interest There is no (pause), we don't want any surprises later on. We want to do some work in the society obviously, but if it is not acceptable to the government or not acceptable to <company name> then we wouldn't do that. So we generally find common grounds, and then do that. And there is a fair amount of information on websites also these days so we do that. It's more of a communication rather permission. We tell them this is what we are going to do and if there is any objection, please let us know. We haven't had any issues in the last 10 years we have been actively been working.

Interviewer 00:41

And these connections are voluntary, meaning you have approached the NGO? Do any NGOs come to you?

Participant: 0:41 – 0:42

Yes, that's correct. We do get some requests, and we see if it is a reputable organisation and then follow suit, but mainly our work.

Interviewer: 0:42

Well, thank you very much for your time.

Participant 00:42

You're very welcome. Please be in touch if you want any follow up. I'm sorry if I couldn't answer much directly relating to NGOs. Card industry is not like others such as mining as you said, where NGOs are direct threats.

Interviewer: 0:43

No, you have provided me much information of the strategy process as a whole. Thank you so much for your time and sharing of information. I was wondering, as I am in the early stages of my data collection, if you could refer me or connect me with any senior members of MNCs or NGOs who have operated within the MENA area? It would be amazing to gain multiple insights to build towards my research aim. If they would be willing to speak with me.

Participant 00:43

Well, Yemen could be a very good analysis for you, but that would be difficult. What I can do, I have a friend of mine who could connect you with someone. Let me speak with them and get back to you. He handles the Middle East portfolio for his organisation and has worked in some turbulent areas such as Afghanistan, Iran. I'll check with him. I will also check with my counterpart in Bahrain.

Interviewer: 0:44

That would be amazing. Thank you so much. I look forward to hearing from you. It would be great to see different perspectives in the strategy process and NGOs.

Participant 00:44

Yes, that would be very insightful for you. If you have any further questions feel free to write to me. And, I wish you all the best.

--- Interview End

5 – Images of coding undertaken within NVivo

Thesis Interviews

Interview MNC 1

Interviewer: 0:03
I want to start by gathering an understanding of your views of business strategy. How would you define business strategy?

Participant: 0:03 – 0:10
Oh, you are putting me on the hot seat (laughter). It was some time when I did my MBA. Ok, so let's see. Ours is predominantly a card business. Not predominantly, it is a card business. Card and merchant acquirers, merchant being where a card is accepted. Industry is very fast changing in terms of technology, in terms of environment, mainly because it is Saudi Arabia and so on. So we do a strategy of generally three years. It is never more than three years. But sometimes we extend that, those financial projections extrapolate them into years four and five, because our head office always wants a five year view point as to where we are going to be. Then we keep rolling these numbers sometimes. But at any given times we do not do more than three years because the technology changes a lot. We are in the card business, technology keeps changing so our strategy must stay in line with that. The population in the Middle East is very transient including Saudi Arabia. Though our client base in Saudi, predominantly Saudi, the non-Saudi client base is very fluid, transient. You have people come into the portfolio, leaving portfolio and last couple of years, the oil prices being where they are, that hasn't helped. So there has been more churning in that part of the portfolio. Even within Saudi portfolio, people cannot afford to pay, that's the long and short of it.

So what we do, we start off with the geo-political situation, oil prices, because the economy is a good 70-80% based on oil or oil related. Particularly Saudi more so, if you look at UAE, Dubai, maybe Bahrain, Qatar and all that, it is less dependent on oil. Oil and Gas predominantly, but they have certain amount of trade, certain amount of import export, export also which Saudi has very little off. So whatever Saudi import is for internal consumption. Never for value adding and then processing and sending it out. So this is differences between

DATA

- Files
- File Classifications
- Externals
- CODES**
 - Nodes
 - CASES**
 - Cases
 - Case Classifications
 - NOTES**
 - Memos
 - Annotations
 - Memo Links
 - SEARCH**
 - Queries
 - Query Results
- OPEN ITEMS

MNC 1 Interview Transcription

- Industry is a key determinant...
- Defining - Industry culture and...
- MNC Macro Level
- Including shared value within...
- Initial stages are macro driven
- Showing initial key components in
- MNC Meso Level
- MNC Micro level
- NGO Macro Level
- Institutional rank of importance

[illegible]

6 – MNC Parent and Child Nodes

Group 1 - MNC				
Level of Analysis	Parent Node	Child Node	Sources	References
Macro	Defining Strategy	Industry related	5	15
		Technology	3	5
		Objectives	2	4
		Position	3	3
		Shared value	3	8
	Strategy components	Economy	3	3
		Commercial	2	2
		Levels	3	3
	Contextualising Strategy	Feasibility	6	18
		Crisis planning	4	10
		Experience	6	8
		Indicators	6	12
		Reputation	9	15
	Hierarchy	Key members	4	4
		Influential	3	3
		External organisations	6	9
Meso	External Pressure	Government	5	18
		Security	5	12
		Profit	6	15
	Legitimacy Filter	Professionalism	7	21
		Hindrance	5	6
	Influential Channels	NGO pressure	6	18
		NGO need	5	13
		CSR	4	7
Micro	Ranking	Hierarchy	6	6
		Rapport	6	9
	Capacity	Actions	5	14

7 - NGO Parent and Child Nodes

Group 2 - NGO				
Level of Analysis	Parent Node	Child Node	Sources	References
Macro	NGO Agenda	Activism	4	8
		Collaboration	7	16
	Limited Authority	Knowledge	3	3
		Recognition	4	7
		Under valued	6	11
Meso	Firm Change	Profit	6	6
		Unethical	8	27
	NGO Differences	Collaborative approach	7	18
		Resilience	6	10
	Social Concern	Work	11	38
		Recognition	8	19
	NGO Power	Regulation	8	17
		Emotion	6	11
		Legal	4	7
Micro	Internal Behaviour	-	4	12
	Strategic Partnership	Acumen	7	18
		Connection	5	11
	Conviction	-	7	13

8 - Interview Consent Form



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1. I confirm that I have read and understood the information sheet and have had the opportunity to ask any questions to the researcher.
2. I understand that my participation in this interview is voluntary and I will not be paid.
3. I understand that the researcher will find the interview intriguing however if I feel uncomfortable, I can decline to answer a question and withdraw from the study at any given time without reason.
4. Participation will involve an individual interview by Jaydeep Pancholi from Heriot-Watt University, lasting approximately 50-60 minutes.
5. I am aware that the interview will be audio recorded and transcribed. All information will remain anonymous and confidential. Audio recorded files and transcription files will be password protected. The participant's name will not be used.
6. I agree for the interview responses to be used as research material subject to standard data use policies protecting anonymity of individuals and organisations.
7. I agree to take part in this research study and have received a copy of this consent form.

Name of participant

Date

Signature

Name of Researcher

Date

Signature

Researcher certification: I certify that I have provided the above individual an information sheet explaining the purpose and potential benefits of this research. I have also answered any questions raised.

For any questions or validation, contact the researcher or supervisors on the details shown above.